EFFECTS OF THE ELIMINATION OF INDIANA GENERAL FUND PROPERTY TAX AND OTHER LOCAL SOURCES OF REVENUE ON STUDENT TRANSFER POLICIES

A DISSERTATION

SUBMITTED TO THE GRADUATE SCHOOL

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS

FOR THE DEGREE

DOCTOR OF EDUCATION

BY

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BALL STATE UNIVERSITY

MUNCIE, INDIANA

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Approval Page

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Abstract

The primary purpose of this study was to investigate the effects of the elimination of the Indiana public school general fund property tax on student cash transfer school board policy. As a result of the data collected for this study, it includes an analysis for the general fund financial trends of all 292 Indiana public school corporations, as well as trends regarding other data such as; Average Daily Membership (ADM), General Fund (GF) cash balances, and percentage of student cash transfer of total ADM.

The following recommendations are made; (1) Any Indiana public school corporation currently not allowing student cash transfers per board policy should change the policy to begin allowing such transfers, (2) The Indiana Association of Public School Superintendents (IAPSS) should adopt guidelines for ethical behavior regarding student cash transfers, specifically as it pertains to advertising, for member superintendents to follow, (3) Small school corporations, particularly those with an ADM of less than 1,000 students, should begin partnering with other small school corporations to coordinate administrative service and instructional services, and (4) Indiana public school corporation superintendents and boards of education should begin working towards a better understanding of how to compete in a school-choice atmosphere.

Acknowledgements

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Second, I would like to thank Dr. McKinney, Dr. Sharp, Dr. Jarman and Dr. Kandiah for their willingness to serve on my committee. Dr. Sharp helped me in the development of my proposal during ID 705. His clear and concise suggestions made it possible for me to complete this dissertation. I would also like to especially thank Dr. McKinney for serving as my committee chair and for the many hours he spent reviewing my proposal and offering suggestions.

Lastly, I would like to thank all the superintendents in the state for participating in the study. Their input made this dissertation a much more worthwhile addition to the field of education.

Table of Contents

List of Figures, Tables and Charts

Chapter 1

Introduction

Property tax has been around since ancient times. In fact, one of the most common forms of taxation over the millennia was property tax on the value of land (Carlson, 2004). Records of property tax have been found dating back to six thousand years B.C. (Carlson, 2004). Still, in spite of its longevity, Americans feel property tax is the least fair of all state and local taxes (Chamberlain & Hodge, 2005). This may be due to the fact that property tax is considered regressive, although analysis shows that property tax regressivity concerns are unfounded and it ranks high in stability (Giertz, 2006).

Due to the unpopularity of property tax, officials in many states have been talking extensively about property tax relief. But as tax relief was discussed more often, state and local officials continued to rely on more rapid increases in property tax than other taxes (Hovey, 1996).

Indiana was one of the states in which steps were taken to reduce the effect of rising residential property value on homeowners and its effect on property taxes. In January 2008, the Indiana General Assembly met in short session. One of the larger issues the general assembly faced was property tax reform (Kenley, 2007). According to the 2008 Public Opinion Survey on K-12 Education in Indiana, published by Center for Evaluation and Education Policy (CEEP) at Indiana University:

> The issue of school finance continued to receive a great deal of attention in 2008. This can be attributed, in part, to the ongoing public debate and media focus on property taxes that transpired and the efforts of the state legislature to reform the property tax system.

In response to this issue, and in order to reduce property tax, the general assembly changed the school funding formula. Effective January 1, 2009, both the general fund and the special education pre-school fund would be completely funded by the state (Zaring, 2008). Property tax or other local revenue would no longer be used to support these funds. According to the Digest of Public School Finance in Indiana (2007) published by the Indiana Department of Education (IDOE), Indiana public school corporations have six funds which, prior to January 1, 2009, were supported by local property tax, as well as other local revenue such as excise tax (Reed, 2007). These funds consisted of the general fund, transportation operating fund, transportation bus replacement fund, debt service fund, capital projects fund, and the special education pre-school fund.

Statement of the Problem

Per Indiana Code (I.C.) 20-26-11 a student must attend the public school corporation in which his parents lived (Zaring, 2008). This was known as the legal settlement for the student. If the student's parents did not live within boundaries of the public school corporation they must pay transfer tuition (Indiana School Board Association [ISBA], 2008). I.C. 20-26-11-6 also determined the formula for the amount that a public school corporation could charge the parents transfer tuition (Zaring, 2008). Transfer tuition was determined by taking the amount of local support for general fund and dividing it by the average daily membership (ADM) (ISBA, 2008). The State Board

of Accounts (SBOA) developed Transfer Tuition Form 515 (Appendix A) for billing parents the correct amount, (SBOA, 2008).

As a result of the changes in property tax, effective January 1, 2009, there was no local revenue for the general fund. All revenue for the general fund came directly through state support. There was no longer any local revenue coming from property tax, excise tax, commercial vehicle tax, or financial institute tax. Because there was no local revenue, there was no vehicle for charging parents transfer tuition (Zaring, 2008).

Indiana was not an open enrollment state, and school corporations still had the authority to adopt transfer policies (Zaring, 2008). However, many issues arose as a result of the new funding formula. One of these issues was the possibility of pitting school corporations against neighboring school corporations. John Ellis, Executive Director of the Indiana Association of Public School Superintendents (IAPSS), expressed concerns that expelled students would try to transfer to another school corporation, as well as the possibility of recruitment for academic and athletic reasons (McCollum, 2009). In essence, that law placed school corporations on the market (DeBolt, 2009). Also, a school corporation with declining enrollment could not only allow transfer students, but might even recruit students from neighboring school corporations. Some school corporations developed a strict no transfer policy, leaving the school corporation vulnerable to only losing transfer students, as opposed to gaining new students. All of these issues were an unintended result of the new funding formula for Indiana public schools and the elimination of property tax and other local revenue for general fund.

In partial response to the problem, the Indiana General Assembly passed P.L. 30-2010 which stated that a school corporation could accept a transfer student, regardless of whether the parents were required to pay tuition (Ambre, 2010).

The research clearly showed that the new Indiana public school funding formula, as re-written by the Indiana General Assembly, caused many unresolved issues regarding transfer students with no vehicle available for computing transfer tuition.

Purpose of the Study

The purpose of this study was to determine how student inter-district transfer policies have changed as a result of the state assuming all general fund revenue support. When the state of Indiana decided to assume all funding responsibility for the general fund in public schools, local school corporations no longer had a vehicle for charging transfer tuition (Zaring, 2008). Many school corporations were surprised by this, and did not have proper policies in place to address the issue. During the study, the following data were collected:

- The percentage of school corporations that allowed transfer students prior to the changes in school funding.
- The percentage of school corporations that did not allow transfer students prior to the changes in school funding.
- The percentage of school corporations that allowed transfer students after the changes in school funding.
- The percentage of school corporations that did not allow transfer students after the changes in school funding.
- The number of transfer students in the state of Indiana prior to the changes in school funding.
- The number of transfer students in the state of Indiana after the changes in school funding.
- Various school corporation statistics, such as; average daily membership (ADM), assessed valuation (AV), enrollment trends, and state funding per student.

By studying the various transfer policies before and after the change in the funding responsibility of the general fund, several recommendations for Indiana public school corporations are offered.

Significance of the Study

This study was significant because the recent changes in Indiana public school funding have caused a need for public school corporations to have consistent student transfer policies. The need stems from the state no longer allowing local revenue for the general fund of public school corporations. As a result, public school corporations have no vehicle for charging tuition for transfer students.

As superintendents and school boards have contemplated potential policies for transfer students, many issues had to be considered. The initial reaction of some superintendents and boards was to not allow any transfer students (Keller, 2008). However, this leaves the school corporation vulnerable to losing transfer students to other corporations without the possibility of balancing the loss with the transferring of students into the corporation. To compound the problem, every student loss in the ADM results in a 100% loss in revenue for that student. Prior to the changes effective January 1, 2009, if a student transferred to another corporation, the home corporation only lost the state support amount of revenue but still retained the local support revenue. This amount varied from school corporation to school corporation. On average, prior to 2009, the general fund revenue consisted of 80% state support and 20 % local support (Michael & Toutkoushian, 2004). So, prior to these changes, on average, a school corporation would only lose 80% of funding for each drop in ADM. The state support would go to the

corporation to which the student transferred; however, the local support would stay with the home corporation. Some wealthy corporations – wealth being defined as a high AV per ADM – were receiving as much as 80% of general fund revenue through local support, and as little as 20% through state support. Because of this, these corporations lost very little general fund revenue when experiencing a drop in the ADM. Even though these corporations would lose the state support, they still maintained the level of local support through property tax, excise tax, and commercial vehicle excise tax.

In an effort to reduce local property tax, many other unresolved issues have resulted. Public school superintendents and boards of education in Indiana are searching for guidance to create student transfer policies that will protect the school corporation from a potential financially perilous situation (Urbanik, 2008). This study was significant because it provided recommendations using data from a large percentage corporations in the state.

Research Questions

The following research questions guided this study:

1. What percentage of Indiana public school corporations did not allow transfer students prior to the changes in general fund revenue?
2. What percentage of Indiana public school corporations did allow transfer students prior to the changes in general fund revenue?
3. What percentage of Indiana public school corporations did not allow transfer students after the changes in general fund revenue?
4. What percentage of Indiana public school corporations did allow transfer students after the changes in general fund revenue?
5. What percentage of Indiana public school corporations had a student transfer policy prior to the changes in general fund revenue?
6. What percentage of Indiana public school corporations had a student transfer policy after the changes in general fund revenue?
7. What percentage of Indiana public school corporations revised a student transfer policy as a result of the changes in the general fund revenue?

8. What is the correlation between allowing transfer students and the following data; student population size, enrollment trends, AV, wealth as defined by AV per ADM, amount of state funding per ADM for general fund?
9. Do the majority of Indiana public school superintendents feel the changes in the general fund revenue have a positive or negative effect on public school corporations?
10. What percentage of Indiana public school corporations advertised or recruited transfer students?

Delimitations

Due to the fact that this study dealt with a problem unique to Indiana, only Indiana public school superintendents were surveyed. Also, due to the fact that there are only 292 public school superintendents in Indiana, all superintendents were surveyed. In order to assure manageability of the data, only multiple choice items were included open-ended response items were not offered. The results were also based on the superintendents' willingness to complete and return the survey. Since all Indiana public school superintendents were surveyed, no scientific method was applied to assure appropriate sample sizes for various demographic characteristics such as; size, wealth, etc.

Definitions

APPROPRIATION – The authority or right to expend public funds. Several appropriations comprise a school budget and except in the Capital Projects Fund, appropriations are valid one calendar year. An appropriation can be increased by an additional appropriation (Reed, 2007).

ASSESSED VALUE (AV) – The total dollar value assigned to all real property and improvements plus personal property subject to taxation. Effective March 1, 2001, the assessed value is true tax value. Locally elected assessors determine property values with appraisal guides prescribed by the Department of Local Government Finance. These values may be changed by the county board of review. The Department of Local Government Finance assesses all public utilities and may make adjustments to other assessments (Reed, 2007).

AVERAGE DAILY ATTENDANCE (ADA) – The average attendance of students in a school corporation taken over a three week period beginning the first Monday after Labor Day. Kindergarten is counted as one-half ADA. A full year ADA is also determined and is used for statistical purposes (Reed, 2007).

AVERAGE DAILY MEMBERSHIP (ADM) – The number of students with legal settlement in the school corporation who are enrolled and attending school in the school corporation including students with legal settlement in another corporation where the parents are paying for the cost of education (cash transfer). The ADM count date is the second Friday after Labor Day. Kindergarten is counted as one-half ADM (Reed, 2007).

BASE LEVY, FROZEN LEVY, MAXIMUM NORMAL TAX LEVY (MNTL) – The dollar amount of property taxes collected in 1973 with provisions for adjustments. Except as provided by adjustments, this levy is the ceiling on revenue available from the property tax (Reed, 2007).

BUDGET CYCLE - LEGAL EXPECTATION – The school budget must be advertised to its taxpayers twice and be the subject of discussion at a public hearing before it is adopted. The last date for the first publication of the budget is to be made no less than ten days prior to the public hearing (IC 6-1.1-17-3). The last date for the second publication of the budget is to be made no less than three days before the public hearing (IC 5-3-1-2). The last date for the public hearing of the budget is 10 days prior to the adoption of the budget (IC 6-1.1-17-5). (Reed, 2007).

CAPITAL PROJECTS FUND – The Capital Projects Fund (CPF) was established by the 1987 General Assembly in IC 21-2-15. A school corporation must annually prepare a three year CPF Plan, conduct a public hearing, publish notice of adoption, and allow taxpayers the right to file a petition objecting to the plan. The first year of the plan becomes a part of the annual budget. The CPF can be used for land acquisition and development, fees for professional services, educational specification development, building acquisition, construction, and improvement, rental of buildings and equipment, purchase of mobile or fixed equipment, certain emergencies, maintenance of equipment, construction, repair, replacement, remodeling or maintenance of a school sports facility as long as the expenditure does not exceed 5% of the property tax levy, certain staff services, allocating funds for future projects, and transferring funds to the Repair and Replacement Fund (Reed, 2007).

CASH TRANSFER – A school corporation may accept a transferring student upon request by a parent and without approval of the transferor corporation (IC 20-26-11-6). The corporation may agree to accept the student but is not obligated to do so. The parent agrees to pay transfer tuition if required by the school corporation. If the transfer occurs before the September count date, state money follows the student, and the parent pays the difference between the cost of education and the state support.

DEBT SERVICE FUND – The debt service fund is used to budget and account for receipts and expenditures necessary to meet the annual debt obligations of the school corporation. Expenditures from this fund may be used to make bond and/or lease rental payments and state technology and construction loans. Interest on loans taken for the purpose of any other fund can be paid from the debt service fund. For taxation purposes this fund is only used when there is a need to retire debt. The tax rate must be sufficient to raise the amount necessary to meet the debt obligations during the year (Reed, 2007).

FLAT GRANT – This is a method of distributing state money to school corporations. A uniform dollar amount per some defined unit is paid to all corporations. Although the defined unit typically is ADA or ADM, it may be any specified unit (Reed, 2007).

FOUNDATION PROGRAM – This is a method of distributing state money to school corporations. A minimum educational program is expressed in terms of dollars per some unit and a uniform chargeable tax rate against property valuation is subtracted. (Reed, 2007).

FUND – A complete accounting entity reflecting financial transactions, both receipts and expenditures, of money for a specific purpose. The fund concept also applies to budget activities (Reed, 2007).

GENERAL FUND – The General Fund is used to budget and account for all receipts and expenditures for the basic operation and the programs of the school corporation. Expenditures from this fund may be made for items associated with the daily operation of a school corporation. This includes expenses for salaries of teachers, administrators, support staff, fringe benefits, supplies, heat, lights, maintenance, and other day-to-day operation expenses (Reed, 2007).

NON-REVENUE RECEIPT – Money borrowed which increases the debt of the school corporation or money received in exchange for some other asset in the school corporation (Reed, 2007).

PROPERTY TAX LEVY – The product of a specified tax rate and the assessed value. Levy terms include tuition support, maximum, and excessive (Reed, 2007).

PROPERTY TAX RATE – A statement in dollars and cents, expressed per each $100 of assessed value that will yield a specific amount of money in property taxes. The yield is also referred to as the levy (Reed, 2007).

REVENUE RECEIPT – Money received that adds to the monetary assets of the school corporation without a corresponding addition to the debt of the school corporation or a decrease in another asset(s) of the school corporation. The two most common revenue receipts are property tax revenue and money from state support (Reed, 2007).

SCHOOL BUDGET – A financial plan considering both revenue and expenditures necessary to meet the educational program of the school corporation. The budget is valid one year. The actual calculation of a budget for an Indiana school corporation encompasses an 18-month period; the last 6 months of the prior budget and the 12 months of the new budget (Reed, 2007).

SCHOOL BUDGET YEAR – The budget year is a 12-month period beginning January 1 and ending December 31 of a specified year (Reed, 2007).

SPECIAL EDUCATION PRESCHOOL FUND – The special education preschool fund was enacted by the 1991 General Assembly to enable school corporations to implement IC 20-1-6-14.1. This statute requires each school corporation to provide each preschool handicapped child with an appropriate special education. IC 21-2-117-3 requires each school corporation to establish a special education preschool fund to be used for the revenue and expenses to operate the preschool program. Revenue to the fund is from state support (Reed, 2007).

SCHOOL TRANSPORTATION FUND – IC 21-2-11.5-2(a) requires each school corporation to establish a school transportation fund which is the exclusive fund for the payment of operating costs associated with the transportation program. Operating costs attributable to the school transportation fund are the salaries of drivers, the transportation supervisor, mechanics and garage employees, clerks and other transportation related employees. It will also pay for the cost of contracted transportation services, wages of independent contractors, contracts with common carriers, transportation related insurance, gasoline, lubricants, tires, repairs, contracted repairs, parts, supplies, and other transportation related expenses (Reed, 2007).

SCHOOL BUS REPLACEMENT FUND – IC 21-2-11.5-2(b) requires each school corporation to establish a school bus replacement fund. The school bus replacement fund is the exclusive fund to pay for the replacement of school buses, either through a purchase agreement or under a lease agreement (Reed, 2007).

WEIGHTING OR ADDITIONAL PUPIL COUNT – This is a method of providing additional state assistance on the basis of certain educational programs costing more than a regular program (Reed, 2007).

Summary

In summary, due to the recent changes in Indiana public school funding, there was no longer a vehicle for charging parents transfer tuition for students who attend a public school other than the one for which they have legal settlement (Zaring, 2008). These

facts have also created a dilemma for many public school superintendents and school boards. The dilemma many public school superintendents and school boards faced was writing an effective and fair policy regarding the condition in which transfer students will be allowed (Urbanik, 2008). In the next chapter, a review of the literature clearly shows how this unintended consequence of the new Indiana public school funding has caused the dilemma.

Chapter 2

Review of Literature

An intensive search for scholarly articles on this narrow subject returned no results. Several search criteria was used, however no results were revealed. While this showed a need for the study, it was also required that the review of literature become less traditional than most. Instead of being a true review of literature on scholarly articles on the subject, the review of literature was used to narrow the topic from the broad topic of public education funding down to the specific events that occurred in Indiana, which triggered the changes in property tax. The review of the literature was divided into eight sections. These included: a broad discussion of public education funding, the history of property tax in the United States, the history of property tax in Indiana, media articles covering the recent change in Indiana public education funding, school board student transfer policies, changes in Indiana public school funding formula, school choice initiatives, and school consolidation issues.

One recurring problem regarding property tax was identified; lack of uniformity of assessment. Uniformity of assessment was seen as crucial as most state constitutions required uniformity of taxation (Carlson, 2004). Unfortunately, uniformity of assessment was not monitored effectively. Competitive under-assessment occurred because a local unit could benefit itself at the expense of the state or another jurisdiction, particularly in instances in which assessors or those who oversaw the assessment process were elected

(Kent & Sowards, 2008). Elected local assessors were also unable or unwilling to value their neighbor's property at full value. An assessor who valued property well below its market value and changed values infrequently was much more popular and more apt to be re-elected (Fisher, 2002).

Lack of uniformity of assessment came to a head in Indiana in 1998 with the Indiana Supreme Court decision that the method of assessing property violated the Indiana Constitution which required a uniform and equal rate of property assessment and taxation (Faulk, 2004).

All of these factors led to the "perfect storm" which resulted in the Indiana General Assembly eliminating property tax as a funding source for public school general funds (Munson, 2007).

Discussion of Public Education Funding

Public education funding has been a field in itself for the nearly past fifty years (Hill & Roza, 2008). This could be attributed to the fact that a large amount of money is required to support public K-12 education. In 2002, the United States spent $412 billion on public K-12 education, for an average of $8,685 per student including federal, state, and local revenue (Carey, 2002). Of this $412 billion, $390 billion came from state revenue, which accounted for 30% of state budgets. This was the largest category for state budgets in 2002, with public welfare coming in second with 23% (U.S. Department of Census, 2002).

For the average school district in the United States, 49% of funding came from the state, 44% from local sources, and 7% from the federal government (Carey, 2002).

These percentages varied greatly from state to state. In 1999, New Mexico generated 17% of school revenue at the local level, while 91% of school revenue was generated at the local level in New Hampshire. Meanwhile, Hawaii generated no revenue through local sources, but rather all revenue for K-12 public education was generated through the state (Carey, 2002).

Once the framework was established for generating revenue for public education, the next challenge was distributing that revenue to the local school districts. How funding was distributed continued to be debated, discussed, and legislated. This debate, discussion, and legislation became the politics of public education funding. Politics has been defined as competition for scarce resources (Kowalski, 2002). In this case, the competition was for the scarce resource of money to support the public schools. This often led to funding formulas that were obscure, complex, and based on formulas understood only by a small group of experts (Carey, 2002).

One simple funding distribution formula was a flat grant. Through a flat grant all schools received an identical amount of funding per student, regardless of local circumstances (Carey, 2002).

In a weighted formula, other factors were considered beyond the student membership of a public district. For example, a typical weighted formula increased funding for schools with students of the greatest need (Aarons, 2008). For this reason, this type of weighted formula was preferred by educators (Aarons, 2008). According to Carey (2002), these types of funding formulas were considered a power equalization formula. The power equalization category of funding formulas attempted to equalize the

playing field for wealthy and poor school districts. If it was determined that each student needed $5,000 in funding for an adequate education, the state would make up the difference between the $5,000 and what the local community could generate through property tax.

One last category of funding described by Carey (2002) was full state funding. In Indiana, the state legislation approved full state funding for the general fund effective January 1, 2009 (Zaring, 2008). These categories of funding address equality. More recently, the discussion moved from equality to adequacy.

According to Dhanji (2008), adequacy evaluated the outcomes of resources. Hill (2008) defined adequacy as whatever it takes to educate children to high standards. Defining the amount of funding for an adequate education was attempted in the 1990s without success. It became difficult because no one had ever achieved the outcomes whose costs were to be estimated (Hill, 2008). As a result, unequal school funding had been equated to the lack of children's equal protection rights (Hill & Roza, 2008).

Unequal school funding led to several lawsuits. In 1971, the California Supreme Court ruled in *Serrano v. Priest* that California's method of public school funding failed to meet the requirements of the California Constitution as well as the equal protection clause of the Fourteenth Amendment of the U.S. Constitution (*Serrano v. Priest*, 1971.) In 1973, the U.S. Supreme Court found that school funding based on local property tax was not a violation of the equal protection clause of the Fourteenth Amendment of the U.S. Constitution (*San Antonio v. Rodriguez*, 1973.) Several lawsuits were filed in the 1980s and 1990s as well (Hill & Roza, 2008). One such lawsuit was the Kentucky

Supreme Court decision of 1989; when it ordered the state to provide each child in Kentucky with an adequate education (McFadden, 2006). Since then, forty-seven (47) other states have decided adequacy lawsuits in Appellate and Supreme courts, with twenty (20) deciding in favor of additional funding of public education (Brimley, Verstegen, & Garfield, 2012). Courts began to realize that states must provide adequate resources to meet the expectations (McFadden, 2006).

These high profile lawsuits, as well as the accountability requirements of the most recent Elementary and Secondary Education Act, more commonly known as No Child Left Behind (NCLB), have led to a brighter spotlight on education funding. This led the School Finance Redesign Project to publish the following recommendations regarding school funding in its recent report, Facing the Future: Facing Productive Schools (2008).

According to the report, a new school funding system must be:

- Transparent about how funds are used, right down to the classroom and student level.
- Open to analysis linking student characteristics, teacher attributes, instruction provided, costs, and student results.
- Flexible in light of needs and results.
- Contingent, with resources going to schools, teachers, and programs that produce student results, and, by implication, being moved away from less effective uses.
- Open to unprecedented experimentation, with new ideas on new uses of time and money, including trade-offs between teacher work and instructional technology.
- A financing system based on these principles can discover new and more productive uses of existing funds. Such a system might also discover greatly more productive ways of educating children that may cost a lot more than existing methods. Then, elected officials can make informed decisions about how much to spend on education

However, even with the passage of the first federal Elementary and Secondary Education Act of 1965, the state's role in school funding grew (Orfield & Sunderman, 2007). This

was, in part, a result of the federal Supreme Court ruling that the lack of equality and adequacy did not violate the U.S. Constitution, particularly the due process law (*San Antonio v. Rodriguez*, 1973). According to the National Conference of State Legislatures (2009)

> Rodriguez effectively removed the constitutional burden for providing public education away from the federal government and placed it squarely on the states. Since Rodriguez, state high courts in all but seven states have ruled with varying outcomes on whether their state systems were "equitably" or "adequately" providing public education as required by their respective state constitutional provisions.

While the National Conference of State Legislatures (NCSL) clearly indicated that public education funding was a responsibility of the states, it did so with the following recommendations that a sound state school finance system:

- Provides equity for both students and taxpayers.
- Is efficient, making the best possible use of resources.
- Provides adequate resources to local school districts so that they may achieve state and local educational goals and standards.
- Incorporates fiscal accountability through generally accepted budgeting, accounting, and auditing procedures.
- Promotes predictability and stability of education revenues and expenditures over time.

Still, the Federal Government have provided revenue for public schools since 1965 with the passages of the Elementary and Secondary Education Act (Orfield & Sunderman, 2007); however, these revenues were administered and monitored by the state organizational structure, partially in an effort to divert attention away from criticism of federal control (Orfield & Sunderman, 2007). State funding continued to be the dominant source of public education revenue (Brehmer, Kinnucan, & Zheng, 2006).

History of Property Tax in the United States

Oliver Wendell Holmes was quoted as saying, "Taxes are what we pay for a civilized society" (Carlson, 2004). If this was true, then we, as citizens, have been paying for a civilized society since ancient times. Property tax was used in the ancient civilizations of Egypt, Babylon, Persia, and China (Carlson, 2004). In fact, according to Carlson (2004), records of clay tablets being used for taxes dated back to 6000 B.C. in the ancient land of Lagash, which was now modern day Iraq. In the 4th century B.C., the Roman Empire paid its soldiers by a tax on capital assets, called a tributum, from which the terms "pay tribute" and "contribute" were derived (Hovey, 1996)

Fisher (1997) suggested that the history of property tax in the United States be divided into nine periods; the colonial period, the revolutionary period, the post-Revolutionary War period, the constitutional uniformity period, the nineteenth century period of administrative problems, the Great Depression period, the post-World War II period, and the period of retreat from uniformity.

During the early colonial period of 1620, people were allocated equal portions of land, but more productive land was assessed at a higher rate (Carlson, 2004). Years later, during the revolutionary period, property taxes were levied at a specific statutory amount on each 100 acres of land (Fisher, 1997). However, settlers from markets complained that taxing land on a per-acre basis was unfair and demanded that property taxation be based on value (Fisher, 2002).

The post-Revolutionary War period was a time to finance a new nation (Fisher, 1997). After the Revolution, states agreed to raise taxes, mostly through property tax, by state quotas. This did not work well as states did not meet their quotas (Carlson, 2004). In 1798, Congress enacted a progressive property tax. It was so unpopular, that Jefferson credited opposition to the tax as a major reason for his victory over the Federalists in the 1800 election (Fisher, 1997). However, another property tax was enacted in order to finance the War of 1812, commonly referred to as the window tax because assessors were to assess real estate according to the number and size of windows and doors of each house in addition to a land tax (Carlson, 2004).

The constitutional uniformity period began as the country moved into the nineteenth century. This period was marked by the fact that most state constitutions required uniformity of taxation (Carlson, 2004). A uniformity clause was adopted in Illinois' first Constitution in 1818 as well as Missouri's first Constitution in 1820. Between 1834 and 1896, thirty-one states adopted uniformity clauses (Fisher, 1997 and 2002). Fisher (2002) defined a uniformity clause as:

> The general property tax applied to all wealth -- real and personal, tangible and intangible. It was administrated by elected local officials who were to determine the market value of the property, compute the tax rates necessary to raise the amount levied, compute taxes on each property, collect the tax, and remit the proceeds to the proper government. Because the tax was uniform and levied on all wealth, each taxpayer would pay for the government services he or she enjoyed in exact proportion to his wealth.

The history of property tax quickly moved from the constitutional uniformity period to the nineteenth century period of administrative problems. This period of property tax history was plagued by competitive under-assessment. Competitive under-

assessment occurred because a local unit could benefit itself at the expense of the state or another jurisdiction, particularly in instances in which assessors or those who oversee the assessment process were elected (Kent & Sowards, 2008). Elected local assessors were also unable or unwilling to value their neighbor's property at full value. An assessor who valued property well below its market value and changed values infrequently was much more popular and more apt to be re-elected (Fisher, 2002). In Isaac William Martin's book, The Permanent Tax Revolt: How the Property Tax Transformed American Politics, Martin (2008) described the reason for poor administration as follows:

> Officials did not rush to modernize the property tax because they benefited from the traditional tax administration. In particular, the local officials who were in charge of property assessment liked the old system because it gave them the freedom to grant or withhold informal tax privileges at will. They could use those informal tax privileges as a resource to be traded for personal or political gain. Different assessors made different uses of that resource, but one of the ways that they used it most consistently was to lobby against modernization – thereby preserving the system that made them powerful.

Still, even with these problems of administration, changes in property tax laws were slow, and it remained the major form of state and local taxation until the Great Depression years (Fisher, 1997).

The Great Depression period was marked with the dramatic drop in property tax collection rates (Carlson, 2004). In response to the property tax delinquencies, states began adopting sales and income taxes (Fisher, 2002). States also began implementing limitations on property tax laws (Carlson, 2004). Many states instituted owner-occupied residence exemptions known as homestead exemptions. These exemptions were later criticized because "they provided large amounts of relief to wealthy homeowners, and

disproportionally reduced the revenue of local governments whose property tax base was made up largely of residential property" (Fisher, 2002). Many of these homestead exemptions continued to exist in 40 states and the District of Columbia (Kent and Sowards, 2008).

The post-World War II period continued to see attempts for uniformity in assessment. These attempts failed as assessors continued the common practice of raising assessment more slowly than property values were rising, rendering property tax inelastic and making rate increases necessary (Fisher, 1997). Fisher (1997) continued to assert that if assessors were aggressive in revaluing property, it allowed property tax to remain elastic, but exposed its most unpopular feature; the taxing of unrealized capital gains and burden on those with fixed or slowly rising incomes.

The last period of property tax history described by Fisher (1997) was the retreat from uniformity period. This was also often called the Tax Revolt (Fisher, 2002). Proposition 13, passed by popular vote in California in 1978, marked this period. Proposition 13 allowed the following:

- Limited property taxes to 1% of full cash value.
- Required property to be valued at its value on March 1, 1975 or on the date it changed hands or was constructed after that date.
- Limited subsequent value adjustment in value to 2% per year or the rate of inflation, whichever was lesser.
- Prohibited the imposition of sales or transaction taxes on the sale of real estate.
- Required two-thirds vote in each house of the legislature to increase state taxes and a two-thirds vote of the electorate to increase or add new local taxes (Fisher, 2002).

According to Fisher (1997) there were four types of departures from assessment uniformity; departures from market value, departures from uniformity based on type of

property, departure from uniformity based on use of property, and non-uniformities based on personal characteristics of the owner. Fisher defines the four types as follows:

> Departures from market value – California limited increases in assessment until ownership changes, substituting modified acquisition value for market value. Other states have copied this provision to a limited extent, making it applicable only when the owners meet certain characteristics, such as being aged or disabled.
>
> Departures from uniformity based on type of property – Classification of intangible property was one of the earliest departures from the general property tax ideal. Today, few states tax intangible property, but several levy in-lieu of taxes based on the income from intangibles. Generally, these are not major revenue producers. Nine states exempt all personal property, tangible and intangible, and most of the others exempt some kinds of tangible personal property. Some twenty-one states classify real estate into more than one class.
>
> Departures from uniformity based on use of property – Tax laws often provided favorable tax treatment for property used in a way deemed especially desirable, for example, many complicated provisions exempted or partially exempted industrial or commercial property considered important to economic development. Sometimes favorable tax treatment was granted at the option of local officials, to firms in specific industries, or for a limited period.
>
> Non-uniformities based on personal characteristics of the owner – Under current property tax laws favorable taxation was often based on characteristics of the owner or user, for example, homestead exemptions and circuit breaker provisions. Commonly, these provisions benefited low-income, aged, or handicapped persons.

Other states came under pressure in the 1970s to implement property tax limits as well. Massachusetts passed several laws in an attempt to lower and limit property tax. These laws included; the implementation of a state sales tax that distributed revenue to cities and towns in 1967; the implementation of a state lottery to distribute revenue to relieve property tax pressure in 1971; and increased state income and sales taxes for revenue sharing in 1975 (Carlson, 2004).

Even though property tax had been around since ancient times, and in spite of the many laws passed to limit property tax, it remained the most unpopular of all types of taxes among taxpayers. In the 2005 Survey of U.S. Attitudes on Tax and Wealth conducted by the Tax Foundation (Chamberlain & Hodge, 2005), it was found that 30% of those surveyed thought property tax to be the most unfair, compared to 26% stating income tax the most unfair, and 15% sighting Social Security payroll tax the most unfair.

According to Hovey (1996), there was no in-depth polling as to why property tax was so unpopular. However, observers agreed that it is for these reasons:

- Property taxes are noticed more by taxpayers per dollar raised. They are paid in lump sums, usually twice a year, by taxpayers who write checks for them or see the cost in their mortgage payment. Sales taxes are paid painlessly as part of a purchase, and income taxes are withheld from wages and salaries
- Many voters believe that property taxes are unfairly administered. In most states their assessed value bears no apparent relationship to what they know is the value of the property.
- Voters correctly perceive that property taxes have no relationship to income, so that middle-class neighbors, struggling families, and retired couples all pay about the same.
- Taxpayers recognize that they are being taxed on *value* that is not necessarily applicable to their situation, particularly if they own a family farm or an older home in what real estate agents would call a "hot" neighborhood.
- Many voters are aware of apparently capricious differences in property taxes that depend on the municipality of school district where they happen to live.

In the United States, property taxes were the mainstay of all state government finance (Hovey, 1996). This included public education. It remained the principal support of free public education in the United States since the nineteenth century (Springer, Houck, and Guthrie, 2008). Spring, Houck, and Guthrie (2008) continued to explain that until the 1920s, local property levies were almost exclusively used to fund local public schools.

According to the U.S. Department of Education National Center for Education Statistics (NCES) (n.d.), this changed by the 1950s. In 1956, local school districts were averaging approximately 40% of revenue from the state, with approximately 50% of the revenue from local sources. For the local sources, property tax accounted for 78% (Kent, 2008). Additional data provided by the NCES (n.d.) showed the revenue from the state trending up over the next 50 years, while the revenue from local sources was trending down during the same time. Figure 1 shows this trend.

K-12 Public Education Revenue: 50 Year Overview

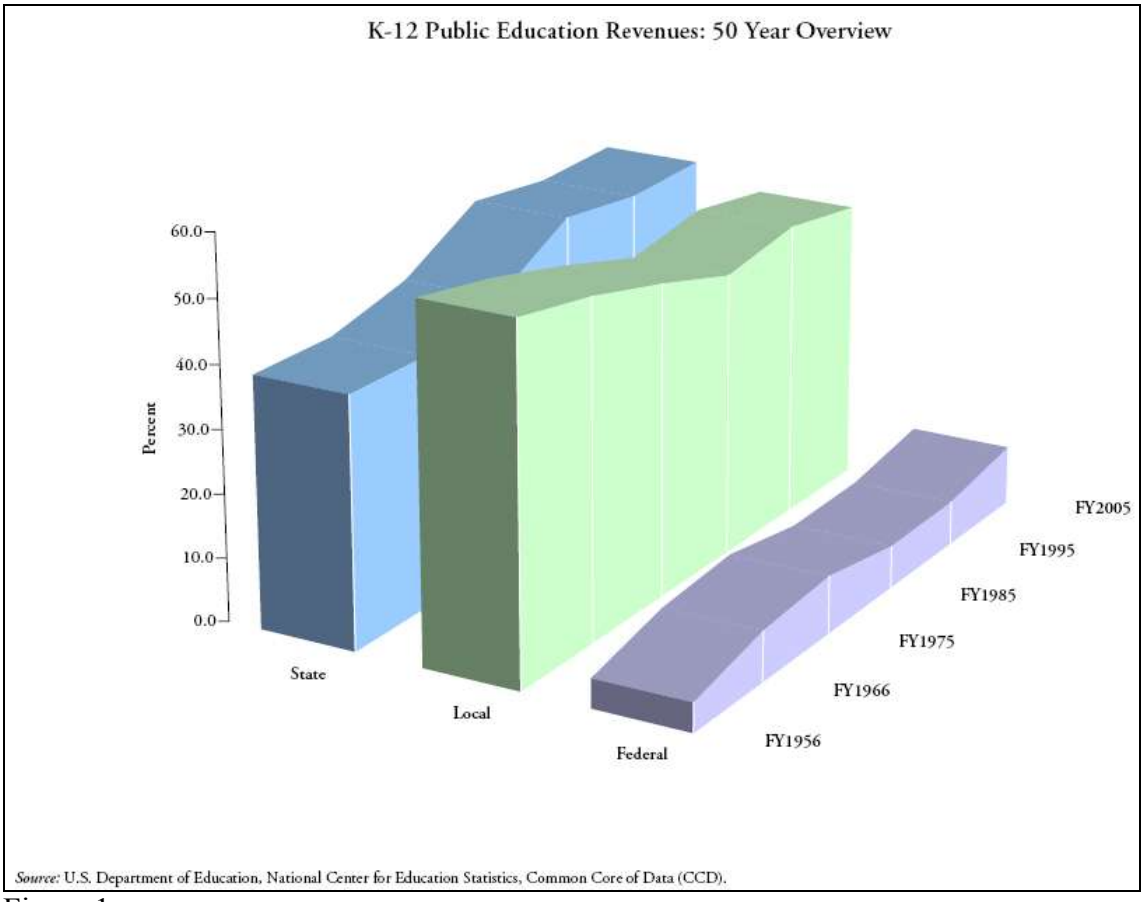

Figure 1

More specifically, in 2005, public education revenue from the state increased to 46.9%, while revenue from local sources decreased to 44%. This data supported the assertion of Orfield & Sunderman (2007) that the state's role in public education funding had strengthened in spite of the passage of the first federal Elementary and Secondary Education Act of 1965.

San Antonio v. Rodriguez (1973) removed the constitutional burden for providing public education away from the federal government and placed it squarely on the states (NCSL, n.d.). As a result, litigation was decided by the state courts (Kent and Sowards, 2008). State courts began addressing the disparities of public education funding, with property tax being determined to be the root cause of such disparities (Kent and Sowards, 2008). As a result of several state court decisions, the following criteria were established (Lukemeyer, 2004):

- *Minimum adequacy*. All schools must provide some minimum level of spending per pupil.
- *Equality*. Expenditures per pupil (or some other measure) must be equal among districts.
- *Access equality*. States must counter differences in tax bases across districts and equalize revenue raising abilities.
- *Wealth neutrality*. The property tax base cannot vary systematically among districts if it results in widely different levels of ability to support local education.

According to Goertz and Natriello (1999), since the courts determined the wealth neutrality criteria was not being met, states began supplementing districts with low wealth. Hence, state funding increased, while property taxation decreased over the last 50 years as a funding mechanism for public education (NCES, n.d.).

History of Property Tax in Indiana

Specifically in Indiana, there have been major legislation and an Indiana Supreme Court decision over the past three decades affecting property tax (Faulk, 2004). According to Faulk (2004), the six items of legislation and the Indiana Supreme Court decision having the most effect were: the Bowen Tax Package of 1973, the Indiana General Assembly changes of 1979, the *Town of St. John v. State Board of Tax Commissioners* Indiana Supreme Court decision of 1993, House Enrolled Act (HEA) 1001 of 2002, HEA 1714 of 2003, and the Senate Enrolled Act (SEA) of 2004.

Prior to the Bowen Tax Package of 1973, there was concern with the amount of property tax exemptions allowed in Indiana because of its effect on revenue (Davis, 1971). In fact, the property assessment of 1969 showed that the total value of real estate in Indiana was $7,217,262,871, with $1,117,975,905 (or 15%) being exempt from property tax. During this time, the State Board of Tax Commissioners made a concentrated effort to get the courts to narrow the scope of exemption status. However, the courts did not act favorably, requesting the legislature make changes to the law to narrow the scope (Davis, 1971).

Also during this time, many Indiana property taxpayers felt assessments were arbitrary and capricious (Turner, 1970). Turner (1970) concluded in his thesis of the relative efficiencies of property tax assessment that the results of a three county test verified the widely held belief that local assessments were inaccurate and were unfairly administered.

The Bowen Tax Package of 1973 was a result of rapidly rising property tax and the need for tight spending controls for local units of government and schools (Bowen,

2008). The initial effect of the Bowen Tax Package of 1973 was a 20% decrease in property tax with the creation of the Property Tax Replacement Fund. However, according to Bowen (2008), by the time he left office in 1981, the Indiana General Assembly had amended property tax legislation on several occasions, creating 18 different exceptions to the spending controls put in place. Specifically, according to Faulk (2004), the Bowen Tax Package of 1973 accomplished the following:

- Doubled the sales tax from 2% to 4% (exempting groceries) and allocated the extra revenue to property tax reduction through the Property Tax Replacement Credit (PTRC).
- Permitted counties to levy local option income taxes (CAGIT) with most of the revenue used to reduce property taxes;.
- Set limits on property tax rates and levies for counties adopting CAGIT.
- Established tax control boards.

The passage of the Bowen Tax Package of 1973 required the House to keep the voting machines open for an extended amount of time, and Lieutenant Governor Ristine to break the tie in the Senate (DeBoer, 2002). The first sales tax had just been legislated in Indiana in 1963. In ten years, sales tax had been doubled from 2% to 4% (Faulk, 2004).

Because of high inflation of the late 1970s, the Indiana General Assembly again went to work in 1979 to address high property tax (Faulk, 2004). As a result, school property tax levies were restricted using a school funding formula (Faulk, 2004). Also, the Transportation Fund was established to be used to bear all the cost related to pupil transportation (Reed, 2007). Schools were also permitted to appeal to the state tax board for an excessive tax levy in order to increase revenue for the general fund (Faulk, 2004).

Changes in Indiana property tax came again as a result of the Indiana Supreme Court decision regarding the Town of St. John vs. State Board of Tax Commissioners

case. This decision was considered to be the most significant decision regarding taxation in the state's history (Kelly & Wuensch, 2000). In the St. John decision, the Indiana Supreme Court agreed with the Tax Court that the current method for assessing real property violated the Indiana Constitution requirement that the Indiana General Assembly provide a uniform and equal rate of property tax assessment and taxation (Kelly & Wuensch, 2000). The Indiana Supreme Court also mandated a market-value based assessment standard (Indiana Fiscal Policy Institute [IFPI], 2004). This decision not only affected public school corporations, but all governmental units that relied on property tax as a source of revenue. The Tax Court established deadlines for both the adoption and implementation of constitutional assessment regulations due to the fact that the legislature was slow to respond (Kelly & Wuensch, 2000). The old unconstitutional assessment method was based on 75% of *reproduction* costs, that is, the cost to reconstruct a duplicate of the property using the same materials, design, and workmanship that were used in the original property, from 1991. The new assessment method would be 100% of 1999 construction costs from data taken from the Marshall and Swift Assessment Manual (Faulk, 2004). The results of the new assessment were not promising. The IFPI released the following six conclusions from its Statewide Property Tax Equalization Study Policy Report (2004):

1. The current structure does not provide for accountability across assessing jurisdictions, resulting in systematic lack of uniformity in assessment practice and assessment results. These problems plague townships within counties and cross county borders.
2. The role of assessing within the property tax system is not well understood.
3. Local governmental assessment officials and their contractors do not understand that they have a responsibility for assessment quality that extends beyond their own county.

4. The type, quantity, and quality of data currently collected will not support a market value assessment system.
5. Many counties and townships did not meet the International Association of Assessing Officers (IAAO) standards for level of assessment, uniformity of assessments, or consistency of assessments across assessing jurisdictions.
6. There is inconsistency in assessment interpretation and administrative practice between the counties.

Ultimately, these conclusions indicated that two residential properties with the same market value could be assessed at vastly different amounts depending on the township and county in which the property was located (Brown, 2005). The IFPI study also made the following recommendations (2004):

1. Ensure complete and accurate collection and transmission of sales data.
2. Develop and enforce compliance with a statewide assessment data standard.
3. Move primary responsibility for assessment to the county level.
4. Introduce an effective equalization study at the state level.
5. Complete the transition to market value standard by rewriting the assessment rule.
6. Upgrade assessment training and certification programs and increase certification standards.

In an attempt to further reform property tax in 2002, HEA 1001 was passed during a special session (Faulk, 2004). The statute increased the property tax homestead deduction from $6,000 to $35,000, as well as increased sales tax from 5% to 6% (Faulk, 2004).

In 2003, HEA 1714 was passed which established a four-year cycle for general reassessment for all real property (Faulk, 2004). The next year, SEA 1 legislation was enacted, authorizing the Department of Local Government Finance (DLGF) to take over the general reassessment process.

The legislation and Indiana Supreme Court decision mentioned above combined to create a perfect storm for property tax (Munson, 2007). Larry DeBoer, Purdue

University Economics Professor, was quoted in the South Bend Tribune as blaming this perfect storm on three major events:

> The first event was the 1998 Indiana Supreme Court decision, which took effect in 2003, which said that the way Indiana assessed properties was not fair. That meant the old system, based on true tax value rules – which few, if any, citizens fully understood – was abandoned for one based on a prediction of what a property would sell for if placed on the market.
>
> The second event was that the Indiana legislature, in 2002, passed a major tax restructuring bill which saw increases in cigarette, gaming and sales taxes, among others. They discovered this was an additional billion-dollar relief, but people didn't notice. At the same time, the state eliminated business inventory tax payable in 2007. The state also allowed counties to eliminate the tax earlier, which 42 counties did. This all caused a number of policies to be adopted.
>
> The third event is trending, taking effect in 2007. The recent reassessment was based on 1999 selling prices. To comply with Indiana Supreme Court orders, assessors must keep assessed values up with selling prices, and do it every year based on formulas. Since reassessment, values were based on 1999 selling prices. That's six years' worth of appreciation producing a 20% to 30% increase, on average, across the state in property taxes. Businesses weren't as hard hit as residential property owners for a couple of reasons. One is that business equipment that is taxed is self-assessed annually by business owners, so a year-to-year adjustment is not that big of a jump. The second is that the state's assessors didn't find many sales of large factories upon which to base their commercial/industrial reassessment figures. Factories like the Alcoa plant in Tippecanoe County just don't get sold very often. So, some assessors made no adjustment since there were no sales. If there's no increase in commercial/industrial trending, the property tax burden gets shifted to residential. Add that to an 8 % reduction in total credits this year versus last for property owners, and plug in any increase in the levy set by local taxing units, and you understand why many people are moaning these days over the statewide 24 % average increase.

The court ordered re-assessment also created a property tax burden shift from business to residential (Kelly & Wuensch, 2000). This property tax burden shift resulted in a 20% to 30% increases in property taxes. The non-profit organization Stop Taxing

Our Property (STOP) Indiana characterized homeowners' reaction to their property tax bills with the following illustration:

The Department of Local Government Finance (DLGF) published that in fiscal year 2008, 56% of property tax in the state was being used to finance public schools. Figure 2 shows the other taxing agencies that were funded by property tax.

Where Do My Tax Dollar$ Go?

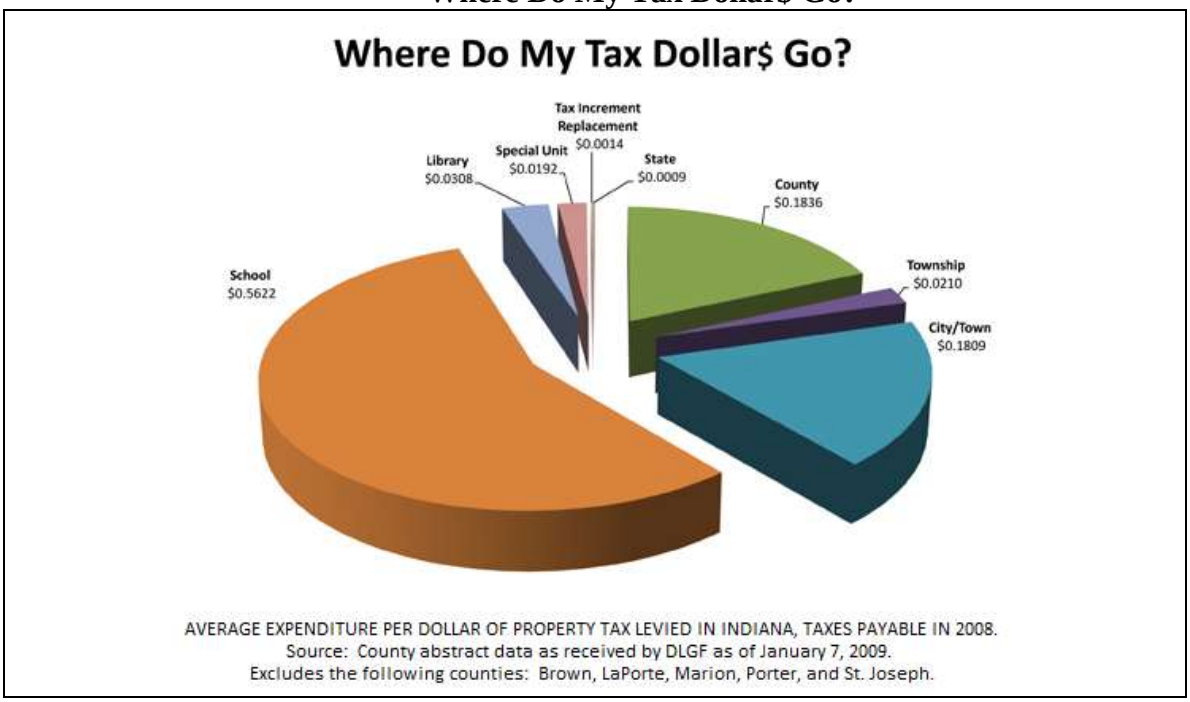

Figure 2

In 2008, the Indiana General Assembly opened the legislative session responding to angry property taxpayers by determining that school corporations would no longer use property tax revenues to support the general fund (CEEP, 2009). This resulted in the passage of the 2008 HEA 1001. With its passage, the state assumed the general fund expenses that were paid for by local property tax (Urbanik, 2008). This legislation resulted in no vehicle for charging parents transfer tuition. According to the Associated Press (AP), state lawmakers were considering addressing the issue by establishing a uniform policy for all Indiana Schools (Urbanik, 2008). The CEEP survey (2009) indicated that HEA 1001 was the result of the Indiana General Assembly responding to angry property taxpayers. However, this survey also found that 43% of respondents indicated that school boards were spending a "just about right" amount of property tax on

facilities and equipment. Also according the CEEP survey (2009), 24.6% felt too little property tax was being spent on facilities and equipment, while 22.7% felt too much. Figure 3 and Figure 4 below show these results.

Table of Public Attitude Concerning the Amount of Property Tax Spent on Schools

Year	Far Too Much	A Bit Too Much	Just About Right	A Bit Too Little	Far Too Little	DK / NA
2008	7.4%	15.3%	41.3%	18.4%	6.2%	11.4%
2007	10.8%	15.7%	40.0%	15.5%	5.8%	12.1%
2006	10.5%	11.5%	43.0%	15.3%	7.3%	12.5%
2005	9.4%	10.6%	43.1%	10.4%	8.0%	18.4%
2004	11.4%	6.7%	51.3%	9.3%	5.4%	15.8%

Figure 3

Public Attitude Concerning the Amount of Property Tax Spent on Schools Graph

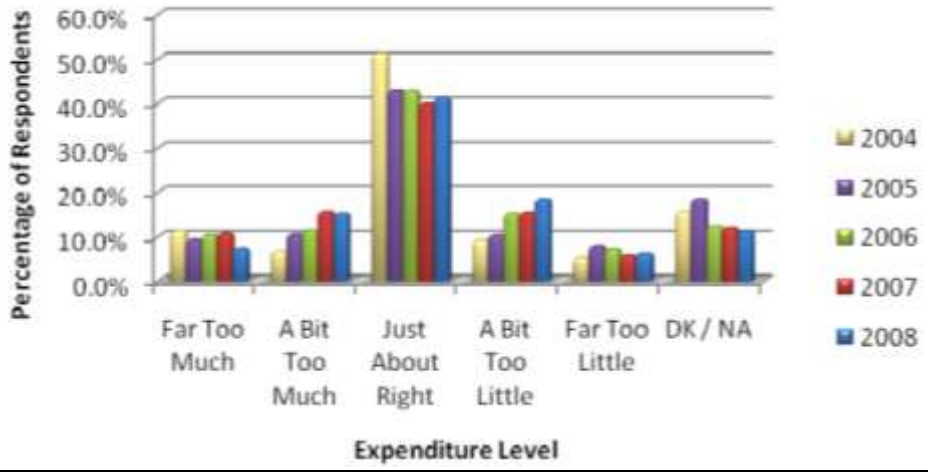

Figure 4

HEA 1001 also enacted property tax caps according to the type of property. Residential property taxes were capped at 1% of the assessed value, agriculture property taxes were capped at 2% of the assessed value, and commercial property taxes were capped at 3% of the assessed value. Knowing that laws can be changed, the Indiana

General Assembly also voted to add these property tax caps to the state Constitution. In November 2010, registered voters in Indiana had the opportunity to approve the constitutional amendment. It was approved by a 70% - 30% margin (AP, 2010)

Media Coverage of the 2008 Changes in Property Tax in Indiana

There was a common theme in most media coverage of the recent change in Indiana public education funding: confusion. With articles such as: "Public school ban on tuition for transfers raising questions: Can sports recruiting be far behind?" (Urbanik, 2008), "Confusion surrounds state tuition costs" (Wilkerson, 2008), "Let them transfer?" (Francisco, 2008), and "Schools debate law's impact on open enrollment" (McCollum, 2008), it was evident that the law had created much confusion. Urbanik (2008) quoted State Senator Karen Tallian as saying, "Everybody has just come to this realization and no one knows what to do." As a result of the confusion, the Duneland School Corporation, a Porter County school corporation that Tallian represents, voted to freeze all future transfer requests in July 2008 (Urbanik, 2008). Tallian is also quoted in the Urbanik (2008) article as saying, "it would be pretty chaotic if every student in Indiana got to pick what school they want to attend, with no restrictions."

Wilkerson (2008) reported that some parents were wondering if they could start sending their students to any school corporation in Indiana for free. Joel Hand, Legislative Liaison for the Indiana Department of Education explained that students still only maintain a constitutional right to attend public school in the school corporation where they have legal settlement (Wilkerson, 2008).

Francisco (2008) characterized school boards that did not have transfer policies as scrambling to put one in place. She continued to explain the confusion and questions that surrounded the new funding of public education:

> Indiana's massive new property tax legislation has school administrators wondering and worrying about the long-standing practice of requiring students to attend the school district in which they live and charging tuition for transfers. With the state now picking up the tab for most school operating expenses, couldn't parents argue that all districts should be open to all Indiana students? (Francisco, 2008).

Overall, it raised questions as to the kinds of policies school corporations should develop (McCollum, 2008). Some also questioned the intent of the state legislature. The Duneland School Corporation Superintendent was quoted as saying, "They were looking for property tax relief, but it seemed to open the avenue for open enrollment. I'm not sure if that was desired" (McCollum, 2008). McCollum (2008) reported the following regarding State Senator Luke Kenley, senate sponsor of 2008 HEA 1001:

> Sen. Luke Kenley, R-Noblesville, who sponsored the House Enrolled Act 1001 in the Senate and always has been a strong proponent of school choice, said "the loophole was not intentional." Kenley said he's a strong supporter of school choice, and making schools as open as possible without creating problems for the receiving district. The legislator said he has introduced school choice bills repeatedly over the last 10 years without success. But he also said he would not try to get the measure passed on the sly without giving everyone an opportunity to comment on it. Now that the issue is on the table, though, Kenley said he's going to take advantage of that in the next legislative session by introducing another public school choice bill, giving all interested parties an opportunity to comment.

The media coverage showed the confusion regarding the changes in Indiana public school financing. It was even characterized as a Wild West atmosphere for transferring schools (Smith, 2008). This prompted Jeff Zaring, State Board of Education

Administrator, to publish a memo on September 12, 2008, clarifying the situation. Zaring (2008) wrote,

> Due to a change in the way the School Corporation General Fund is supported, the amount of transfer tuition paid by parents under Indiana Code 20-26-11-6, is expected to change beginning January 1, 2009. Nothing else has changed. Indiana does not have open enrollment. School corporations generally still are not obligated to accept students unless they have legal settlement in the school corporation. School corporations still have the authority to adopt policies concerning admission of students who do not have legal settlement in the corporation.

John Ellis, Executive Director of the Indiana Association of Public School Superintendents, expressed concerns regarding expelled students attempting to transfer to another school corporation as well as recruitment for academic and athletic reasons (McCollum, 2009). This confusion was followed by school boards adopting new student policies or modifying existing student transfer policies.

School Board Student Transfer Policies

A search for media articles regarding school board policies for student transfers indicated school boards throughout the state of Indiana were discussing and debating this issue. In August 2008, Northern Wells Community School Board was notified by Superintendent Scott Mills that the school board would need to consider restricting student transfers as a result in the changes in the property tax law (Werling, 2008).

In October of 2008, the Washington School Board adopted a policy with the following stipulations:

> Students wishing to attend Washington schools can be considered if they are attending the school for academic reasons, are in good standing at their previous school, provide transportation and, if applicable, pay fees. A student would be accepted into the schools based on their attendance,

> academic and disciplinary record, class size at the school and if there is any "undue burden" on the corporation (Smith, 2008, p.2).

Vigo County Schools adopted a new student transfer policy in November of 2008. The policy had the following stipulations:

> Students must be able to provide their own transportation to and from school. They must have satisfactory attendance at the previous school. They must submit a complete copy of their discipline records and may be considered if they haven't had a major discipline infraction. The student must not be considered expelled when entering the Vigo County School Corp. Other factors that will be considered include classroom enrollment and whether there is room for the transfer student. The school district also will consider whether a transfer student's needs can be accommodated with current staffing and program offering. Under no circumstances will a transfer student be accepted for primarily athletic reasons. An application can be rejected by the administrative team, superintendent or School Board (Loughlin, 2008, p 1).

Daleville Community Schools had just revised the student transfer policy in August 2008; however the board asked Superintendent Garrison to bring new recommendations to the March board meeting after more than 100 calls from families regarding student transfers (McBride, 2009). McBride (2009) continued to explain the Daleville School Board was considering "beefing up the academic standards for transfer students."

Batesville Community Schools decided to continue to allow student transfers. WRBI radio (2009) reported on its website that Batesville normally had five student transfers each year. However, in 2009, they had 22 student transfers, and an additional 12 students expressing interest. Batesville Community School allowed the student transfers with the following stipulations:

> The other school corporation or superintendent must be aware of the transfer. It has to be for educational reasons, parents provide

> transportation, student attendance and disciplinary record considered, and it does not place an undue burden on the corporation (in regard to class size and finances) (WRBI, 2009).

Fairfield Community Schools in Goshen, Indiana, discussed continuing to allow student transfers but requiring students that transferred after the state count day to pay full tuition (DeBolt, 2009). DeBolt (2009) wrote regarding Fairfield Community Schools, "An option the board discussed in favor of continuing transfers would require students requesting transfer following the yearly average daily membership count to pay full tuition based on grade level and classes taken."

While the school corporations mentioned above decided to allow student transfers with varying stipulations, Duneland School Corporation decided to freeze transfer students in July, 2008 (Urbanik, 2008). Urbanik (2008) wrote:

> The school board accepted the recommendation of Superintendent Dirk Baer to impose a freeze, at least temporarily, on new transfer tuition students for the upcoming school year. The approximately 40 non-resident students who now attend the Duneland Schools will be allowed to stay; Baer will have the discretion of allowing their incoming siblings to attend as well.

An article written by Clint Keller in the September 21, 2008 edition of the Fort Wayne Journal-Gazette indicated that Shelbyville Central Schools recently adopted a policy outlining transfer consideration, while North Putnam Schools was still considering its options. The same article continued to state that both Northwest Allen Schools and Southwest Allen Schools adopted policies not allowing transfer students (Keller, 2008).

Greensburg Community Schools Superintendent, Tim Hunter, asked the board to approve his recommendation regarding a new transfer policy. In his view, the state was

requiring each school corporation to create their own student transfer policy. The policy would allow student transfers on an individual and first come basis (Hornady, 2008).

As late as 2011, school corporations were adjusting student transfer policies. Elkhart Community Schools not only recently decided to allow for student transfers, but was advertising on their website at www.elkhart.k12.in.us with a page titled, "Transfer to Elkhart Community Schools: Our Doors Are Open!" Middlebury Community Schools also recently decided to allow student transfers, according to their website at www.mcsin-k12.org.

A cursory scan for new articles regarding recent changes in student transfer policies was a mixed bag, to say the least. Table 1 shows the results from the 14 school corporations.

Table of School Corporation Transfer Policies

School Corporation	Transfer Policy
Duneland School Corporation	Freeze all future requests as of July, 2008
Northern Wells School Corporation	Will consider restricting future requests
Washington School Corporation	Will allow student transfer for academic reasons if there is not an undue burden
Vigo County School Corporation	Will allow student transfer if student has satisfactory attendance and discipline record at previous school

Table of School Corporation Transfer Policies

School Corporation	Transfer Policy
Batesville Community Schools	Will continue to allow transfers, but other school superintendent must be aware of the transfer
Fairfield Community Schools	Will continue to allow transfer, but students will pay full tuition if transferred after "count day"
Shelbyville Central Schools	Will allow student transfers with new stipulations
North Putnam Schools	No decision, but still considering its options
Northwest Allen Schools	Will not allow student transfers
Southwest Allen Schools	Will not allow student transfers
Greensburg Community Schools	Will allow student transfers on an individual basis
Daleville Community Schools	Will allow student transfer, but will "beef up" academic standards for transfer students
Middletown Community Schools	Will allow student transfers
Elkhart Community Schools	Will allow student transfers

Table 1

The review of media articles regarding school board policies for student transfers showed no consistency between school boards throughout the state of Indiana. It also showed many school corporations leaving the final discretion to that of the principal, superintendent, or school board. This was, in effect, making the process of selecting which students were allowed to transfer a subjective process.

Changes in Indiana School Funding Formula

During the 2009 and the 2011 session of the Indiana General Assembly, the formula for computing the adjusted ADM was changed.

The change, which has application to this study, was the practice of "ghosting". Under the funding formula, prior to 2009, the state provided schools with partial funding for four additional years for students who leave (Indiana Business Journal [IBJ], 2010). This was accomplished by taking a 5-year ADM average to compute the adjusted ADM. The adjusted ADM was used when calculating the total state support for a school corporation. "Ghosting" had been part of the Indiana funding formula since 1981, but was found to cost the state $94M in 2009 (IBJ, 2010).

In 2009, effective January 1, 2010, the adjusted ADM calculation was changed from a 5-year average to a 3-year average (Michael, Spradlin, & Carson, 2009). This change increased the likelihood that "the number of 'ghost' students, created by using the larger averaged ADM in place of the actual ADM, will decrease" (Michael, Spradlin, & Carson, 2009).

Again, in the 2011 session of the Indiana General Assembly, the method for calculating the adjusted ADM was changed. No longer was the adjusted ADM a 3-year average. Rather, effective January 1, 2012, the adjusted ADM would be the actual ADM.

These two changes in the calculation of the adjusted ADM combined with the elimination of local property tax, had a substantial impact on the amount of state funding a school corporation received per student. Using real data (IDOE, 2009) from Adams Central Community Schools in Monroe, Indiana, Table 2 below illustrates the potential impact.

Potential Impact of Changes in Adjusted ADM Calculation						
Year	**ADM**	**Adjusted ADM**	**Total State Funding**	**State Funding per Adjusted ADM**	**Adjusted ADM "Value"**	**Percent Change per ADM**
2008	2,112.5	2,189.7	7,741,710	3,535	$707	20%
2009	2,055.0	2,099.7	12,998,238	6,190	$2,064	33%
2012	1,919.0	1,919.0	12,998,238	6,773	$6,773	100%

Table 2

In 2008, prior to the elimination of general fund property tax, Adams Central received $7.7M in total state revenue. The ADM in 2008 was 2,112.5. However, due to the 5-year average used to compute the adjusted ADM, Adams Central received funding for 2,189.7 students at $3,535 per adjusted ADM. This meant that every additional student in the 2008 ADM would have raised the adjusted ADM by .2 and Adams Central would have received an additional $707 from the state. Also, for each student less, the

adjusted ADM would have been lowered by .2 and Adams Central would have received $707 less from the state. In other words, each student was "worth" $707 in state funding.

In 2009, there was no longer any local revenue for the general fund. All revenue was state revenue. Also, the state changed the adjusted ADM formula to a 3-year average instead of a 5-year average. Even though Adams Central had an ADM of 2,055, it was funded at a higher adjusted ADM of 2,099.7. Every additional student in the 2009 ADM would have raised the adjusted ADM by .33 and Adams Central would have received an additional $2,604 from the state.

In 2012, the method for calculating the adjusted ADM would be equal to the actual ADM. No longer would "ghosting" be allowed (Indiana Association of School Business Officials [IASBO], 2011). Assuming the enrollment and state revenue for Adams Central remained at the 2011 level for 2012, it would receive an additional $6,773 from the state in revenue for each additional student.

In this example, using real data (IDOE, 2009) for Adams Central Community Schools, the value in state revenue for one student in the actual ADM increased dramatically from $707 in 2008, to $6,773 in 2012. The increase from $707 to $2,604 from 2008 to 2009 is in part as a result of the state assuming all financial support for the general fund. However, the increase from 2009 to 2012 is solely as a result of the elimination of "ghosting".

Indiana School Choice Initiatives

The Indiana General Assembly first passed charter school legislation in 2001, allowing state schools offering 4-year degrees, boards of education of school

corporations, and the executive of a consolidated city to sponsor a charter school (Plucker, Eckes, Chang, Benton, Trotter, & Bradford, 2005).

The Center for Research on Education Outcomes (CREDO) published a report in 2011 regarding the student growth performance at charter schools in Indiana. In it, CREDO reported that 98% of charter schools grew with similar or better rates than traditional public schools in reading and 100% of charter schools grew with similar or better rates than traditional public schools in math.

Bolstered by this report, the Indiana General Assembly passed several measures in 2011 in an effort to expand charter schools in Indiana. Kirk (2011) reported that the measures accomplished the following:

- Helped increase the number of charter schools by allowing private universities, mayors of second-class cities, and a new state charter school board to authorize charter schools.
- Eliminated current limits on the number of charter schools.
- Increased accountability measures for charter school authorizers to help assure they require strong management and performance in charter schools.
- Made unused and under-utilized public school buildings available to charter school start-ups.
- Closed the current funding gap between public charter schools and traditional public schools.

In addition to charter school legislation, the Indiana General Assembly passed what is considered to be the nation's broadest use of school vouchers (Martin, 2011).

Most voucher systems in the country have been limited to poor students, or those in chronically failing schools (Martin, 2011). The school voucher program in Indiana also allowed students from middle-class homes to be eligible, and it was for students in any public school, including those with a solid performance on state achievement tests

(Martin, 2011). As of early September, 2011, over half of the 7,500 available vouchers were awarded. The cap of 7,500 would be raised to 15,000 for 2012. The cap would then be removed completely for 2013 and beyond (Guyett & Wisniewsk, 2011).

School Consolidation

One more issue discussed during the elimination of the general fund property tax was school consolidation. In 2007, Governor Daniels commissioned the Indiana Commission on Local Government Reform (ICLGR) to "develop recommendations to reform and restructure local government in Indiana in order to increase the efficiency and effectiveness of its operations and reduce its costs to Hoosier taxpayers" (Kernan & Shepard, 2007). The report, "Streamlining Local Government – We've got to stop governing like this", made the following recommendations regarding schools (Kernan & Shepard, 2007):

- Reorganize school districts to achieve a minimum student population of 2,000. Establish state standards and a county-based planning process similar to that established in 1959 legislation.
- Require that school corporation bonds be approved by the fiscal body of the municipal or county government containing the greatest proportion of assessed value in the school corporation.
- Prompt joint purchasing by schools.
- Conduct all non-partisan school elections during November in even years.

After the release of the report from the ICLGR, legislative leaders felt it was too complex and too political to be dealt with immediately during the 2008 Indiana legislative session, and was more likely to be taken up during the 2009 session (Kurtz, 2007).

In December of 2008, Governor Daniels announced his education agenda for the 2009 Indiana legislative session. One of those proposals was to consolidate the

administrators of school corporations with enrollments of less than 1,000 students (Corbin, 2008). Corbin (2008) continued to quote Governor Daniels with "I'm suggesting these units below 1,000 kids do not need their own bureaucracy and do not need to be spending money on superintendents and assistants and a whole array of administrative services that could easily be done at a higher level."

The push for small school consolidation was supported by the findings of the Center for Evaluation and Education Policy (CEEP) at Indiana University. According to the associate director, Terry Spradlin (2007):

> There are no compelling reasons to consolidate if the expectation is that school corporations are to raise academic achievement. However, there is some research that says -- for especially small and rural school corporations -- there are some economic benefits that they, by consolidating, can increase their economies of scale and increase efficiencies.

CEEP published a contradicting report in 2010 titled "Revisiting School District Consolidation Issues." An important conclusion in this report stated:

> Examining the instructional expenditures data, which depict high variability in the ratio of student instructional expenses across all ADM levels, it is apparent that operational efficiency is not governed solely by school corporation size. However, examining the ratios of student instructional expenditures to other expenses indicates that smaller school corporations may be at least as efficient at getting dollars into the classroom. Furthermore, the smaller school corporations are highly successful in demonstrating Adequate Yearly Progress."

The CEEP study followed the conclusion with these recommendations:

- Options of open enrollment, half-day or flexible scheduling, online instruction, and joint summer school programs between schools could also increase curriculum offerings without consolidation.
- Tracking expenditure data by line item at the school level will increase the ability of researchers to understand how operational efficiency can be improved and how school expenditure data are linked to student achievement.

- A balance between costs, achievement, and social and political considerations must be maintained by policymakers and education leaders to maximize the utility of public education for its citizenry.
- Any future discussion of consolidation should also include consideration of deconsolidation.
- If consolidation is pursued it should be considered on a case-by-case basis only, not mandated on a wholesale basis. If implemented to any extent, the implications of consolidation on state and federal accountability category placements must be considered.

Summary

The review of literature concluded that school funding was primarily the responsibility of states. Also, the method of funding had long been the property tax. In fact, until the late 1920s, property tax was nearly the exclusive source of revenue (Springer, Houck, and Guthrie, 2008). While property tax was unpopular, it remained a tax high in stability (Giertz, 2006). As far back as 1973, the Indiana General Assembly has been modifying statutes regarding property tax (Faulk, 2004). The most recent statute enacted by the Indiana General Assembly resulted in the elimination of property tax for school general funds, and the state assuming responsibility for it (Zaring, 2008). Because there was no local revenue for the general fund, there was no vehicle for charging parents transfer tuition (Zaring, 2008).

The Indiana General Assembly enacted P.L. 30-2010 during the 2010 legislative session to address some of the issues surrounding transfer tuition. In a memo dated April 23, 2010, from Melissa K. Ambre, Director of the Office of School Finance, she stated P.L. 30-2010 amended IC 20-26-11-6 as follows:

- IC 20-26-11-6(b), amended and effective July 1, 2010. Allows a school corporation to accept a transfer student regardless of whether as a condition of the transfer, the transferee school requires the requesting parents to pay an amount determined under the formula.

- IC 20-26-11-6(d), amended and effective July 1, 2010. Failure to pay a tuition installment that is agreed by the parents or students and the transferee school corporation is a ground for exclusion from the school.
- IC 20-26-11-6(e), amended and effective July 1, 2010. States that if the transferee school corporation elects not to charge transfer tuition to the parents or student under this law, it may not charge transfer tuition or fees to the transferor school.

The changes in general fund revenue resulted in students being able to transfer to any school in Indiana with little or no tuition. The net result was confusion. In fact, the Transfer Tuition FAQ (2010) available from the IDOE website clearly showed this confusion with its first question and answer: "Q: Does Indiana have Open Enrollment; A: Not exactly". This confusion, coupled with the passage of the broadest reaching private school voucher system in the country (Martin, 2011), provided evidence that a comprehensive study of the issue of transfer policies was needed.

Chapter 3

Research Methodology

Indiana public school corporations have six funds, which prior to January 1, 2009, were supported by local property tax, as well as other local revenue such as excise tax. These funds consist of the general fund, transportation operating fund, transportation bus replacement fund, debt service fund, capital projects fund, and the special education pre-school fund. In January 2008, the Indiana General Assembly met in short session. The major issue the general assembly faced was property tax reform. The issue of property tax was caused by laws created in the general assemble in prior years. In response to this issue, and in order to reduce property tax, the general assembly changed the school funding formula. Effective January 1, 2009, both the general fund and the special education pre-school fund would be completely funded by the state. No longer would any property tax or other local revenue be used to support these funds.

Transfer tuition had traditionally been charged for a student who is attending a school corporation other than the district of residence (State Board of Accounts, 2008). The tuition amount was calculated according to the amount of local revenue a school corporation received per student. Since there was no longer be any local revenue for general fund, there was no vehicle for calculating transfer tuition.

The research was guided by the following questions:

1. What percentage of Indiana public school corporations did not allow transfer students prior to the changes in general fund revenue?
2. What percentage of Indiana public school corporations did allow transfer students prior to the changes in general fund revenue?
3. What percentage of Indiana public school corporations did not allow transfer students after the changes in general fund revenue?
4. What percentage of Indiana public school corporations did allow transfer students after the changes in general fund revenue?
5. What percentage of Indiana public school corporations had a student transfer policy prior to the changes in general fund revenue?
6. What percentage of Indiana public school corporations had a student transfer policy after the changes in general fund revenue?
7. What percentage of Indiana public school corporations revised a student transfer policy as a result of the changes in the general fund revenue?
8. What is the correlation between allowing transfer students and the following data; student population size, enrollment trends, AV, wealth as defined by AV per ADM, amount of state funding per ADM for general fund?
9. Do the majority of Indiana public school superintendents feel the changes in the general fund revenue have a positive or negative effect on public school corporations?
10. What percentage of Indiana public school corporations advertised or recruited transfer students?

Research Design

A review of the literature revealed no information regarding a solution to the problem. Rather, the literature revealed much confusion throughout the state, including parents, students, superintendents, board members, and even some members of the Indiana General Assembly. The review of the literature also revealed that many school boards were quickly adopting student transfer policies.

A quantitative, descriptive design was determined to be most appropriate to answer these research questions. This was consistent with Labuschagne, (2003):

> As a rule, quantitative research is mainly concerned with the degree in which phenomena possess certain properties, states and characters, and the similarities, differences and causal relations that exist

> within and between these…The advantage of the quantitative approach is that it measures, for example, the reactions of a great many people to a limited set of questions.

The degree of reaction by boards of education and superintendents to the unanticipated results of the new public school funding formula for the general fund was being ascertained. Therefore, a quantitative, descriptive design was used.

A large portion of the data were available from the IDOE Accountability System for Academic Progress (ASAP) website located at http://www.doe.in.gov/asap and from the Indiana Department of Local Government Finance (DLGF) website at http://www.in.gov/dlgf. A survey was designed for the other pieces of data needed, and was used to collect the data for the study. The survey was distributed to all 292 public school superintendents in Indiana.

Description of the Population

All 292 public school superintendents in the state of Indiana were surveyed. According to Krejcie and Morgan (1970), a population of 292 would require a random sample size of 170 for a 95% confidence level. A higher confidence level would be achieved by surveying the entire population rather than use a random sample of the population.

The Instrument

The instrument used was a survey, guided by the research questions. The reliability of the instrument was determined using a test-retest method. The survey was sent to all 292 public school superintendents in Indiana, and numbered 101-392 for identification purposes. Of the 292 surveys sent, 186 were returned. To test for

reliability, the survey question; "How many transfer students were enrolled in your school corporation during the 2008-2009 school year?" was compared to the data received from the IDOE website. This method proved the instrument to have a Pearson r reliability coefficient of .693.

Pearson r Reliability Correlation of 08 Cash Transfer IDOE Data and 08 Cash Transfer Survey Data

		08 Cash Transfers	08 Cash Transfers Survey
08 Cash Transfers	Pearson Correlation	1	.693**
	Sig. (2-tailed)		.000
	N	185	184
08 Cash Transfers Survey	Pearson Correlation	.693**	1
	Sig. (2-tailed)	.000	
	N	184	184

**. Correlation is significant at the 0.01 level (2-tailed).

Table 3

Validity

A panel of experts determined the validity of the instrument. The panel consisted of Dr. Joseph McKinney, Chairperson of the Department of Educational Leadership at Ball State University, Dr. William Sharp, Professor of Educational Administration at Ball State University and former public school superintendent, and Dr. Delbert Jarman, Professor of Educational Leadership at Ball State University and former public school superintendent. Dr. McKinney is an expert on school finance due to his former role as Associate Editor of The Journal of Education Finance. Dr. Sharp is an expert on school finance due to his past experience as an Indiana public school superintendent, as well as

teaching college graduate courses on the subject for many years. Dr. Jarman is an expert on school finance due to his past experience as an Indiana public school superintendent.

Data Collection

After receiving approval from the Institutional Review Board (IRB) at Ball State University (BSU), the survey and cover letter were sent to all 292 Indiana public school superintendents via United States mail. Of the 292 surveys sent, 186 were returned. The names and addresses of these individuals were retrieved through the IDOE ASAP data website at http://www.doe.in.gov/asap in October 2010. Each survey was numbered according to the IDOE school corporation number. Included with the survey and cover letter was an addressed, stamped envelope for ease of returning the completed survey. Much of the data being collected were public information. Using a request for public records for some school corporations was considered, if needed. However, considerable amounts of demographic data were received from IDOE, thereby not needing to request the additional data.

Nearly all of the demographic and financial data were collected from the IDOE ASAP website located at http://www.doe.in.gov/asap and from the Indiana Department of Local Government Finance (DLGF) website at http://www.in.gov/dlgf. The only exception was the number of cash transfers (ADM Type 3) for each school corporation in years 2005-2011. The cash transfer data were received from the IDOE via e-mail from Karen Lane, Specialist for the Accountability Office. The following table shows all the demographic and financial data received:

Demographic Data Collected from IDOE ASAP Website	
Demographic/Financial Data	**Year**
Average Daily Membership (ADM)	2005, 2006, 2007, 2008, 2009, 2010, 2011
General Fund (GF) Beginning Cash Balance	2006, 2007, 2008, 2009, 2010, 2011
Assessed Valuation (AV)	2005, 2006, 2007, 2008, 2009, 2010, 2011
General Fund (GF) Expenditures	2005, 2006, 2007, 2008, 2009, 2010
General Fund (GF) Property Tax Levy	2005, 2006, 2007, 2008, 2009, 2010, 2011
State Support	2005, 2006, 2007, 2008, 2009, 2010
ISTEP Passage Rate	2008, 2009, 2010, 2011
Free Lunch %	2009, 2011
Cash Transfer Count (ADM Type 3)	2006, 2007, 2008, 2009, 2010, 2011

Table 4

The survey data were collected and entered into an Excel spreadsheet. A colleague reviewed the coded data for accuracy and verified the integrity of the data.

Data Analysis

The data collected from the survey were analyzed using an Excel spreadsheet and IBM SPSS Statistics version 19.0.0.1. The data were first analyzed to achieve a percent of school corporations that allowed transfer students and a percent of school corporations that did not allow transfer students, according to the following variables; average daily membership (ADM), percent of free lunch, demographic type, per capita income (census 2000), and percent of minority population. The data were then analyzed to ascertain a Pearson r correlation coefficient between two variables. A Pearson r correlation coefficient should be used when both variables are either an interval or ratio scale (Higgins, 2005). The first variable was a school corporation's policy regarding transfer students. The second variable was selected from several variables of a school corporation; ADM, percent of free lunch, demographic type, per capita income (census 2000), and percent of minority population.

Limitations

The following limitations were determined when completing the data collection and analysis. The first limitation indicated there was no guarantee the superintendent identified actually completed the survey. Secretaries, directors, or assistants could have completed some surveys. The second limitation indicated there was no guarantee the superintendent identified answered the survey accurately. Finally, a limitation indicated the lack of literature to review regarding this very specific issue with public school funding. Since the issue dealt specifically with Indiana, no literature to review regarding any study being completed on the subject was found. A review of literature on the

broader topic of public school finance, as well as property tax, and the media coverage of the change in Indiana public school financing was chosen.

Summary

Information regarding the data collection, data analysis, and limitations of this study regarding the specific problem of a lack of a vehicle to charge transfer tuition in Indiana public schools has been provided. The following chapter will explore the data collected. Though some limitations were found in the study, these limitations did not prevent recommendations from being determined.

Chapter 4

Results

Various demographic and financial data were collected for each of the 292 public school corporations from the IDOE website at http://www.doe.in.gov/asap and from the Indiana Department of Local Government Finance (DLGF) website at http://www.in.gov/dlgf. The only exception was the number of cash transfers for each school corporation in years 2006-2011. The cash transfer data were received from the IDOE Accountability Office (K. Lane, personal e-mail communication, December 28, 2010 and September 21, 2011). The following table shows all the demographic and financial data received:

Demographic Data Collected from IDOE ASAP Website

Demographic/Financial Data	Year
Average Daily Membership (ADM)	2005, 2006, 2007, 2008, 2009, 2010, 2011
General Fund (GF) Beginning Cash Balance	2006, 2007, 2008, 2009, 2010, 2011
Assessed Valuation (AV)	2005, 2006, 2007, 2008, 2009, 2010, 2011
General Fund (GF) Expenditures	2005, 2006, 2007, 2008, 2009, 2010, 2011

Demographic/Financial Data	Year
General Fund (GF) Property Tax Levy	2005, 2006, 2007, 2008, 2009, 2010, 2011
State Support	2005, 2006, 2007, 2008, 2009, 2010
ISTEP Passage Rate	2008, 2011
Free Lunch %	2008, 2011
Cash Transfers (ADM Type 3)	2006, 2007, 2008, 2009, 2010, 2011

Table 5

Originally, it was planned to provide correlations between student transfer policies and the various demographic and financial data. However, once the various demographic and financial data were collected and coded, it was determined to be worthwhile to summarize and analyze the data as well as provide the correlations with student transfer policies. Therefore, Chapter 4, Results, is divided into four sections; analysis of various demographic and financial data from all 292 public school corporations in Indiana, correlations between the student transfer percentage of ADM and various demographic and financial data from all 292 public school corporations in Indiana, an analysis of the 186 returned surveys from superintendents of public school corporations in Indiana, and anaylsis of data received from public school corporaiton websites.

Analysis of Various Demographic and Financial Data

Charts 1 and 2 below illustrate general fund expenditures among the 292 public school corporations in Indiana. Chart 1 is the average amount of general fund expenditures among the 292 public school corporations, while Chart 2 is the total amount of general fund expenditures among the 292 public school corporations. As Chart 1 indicates, from 2005 – 2008, the average general fund expenditure increases from $20.4M to $21.8M. In 2009, the average general fund expenditure decreases significantly to $20.9M, slightly above the $20.8M in fiscal year 2006. In 2010, the average general fund expenditure increases and reaches 2008 levels of $21.8M. Even with the decrease in 2009, the trend line over the five year period continues to move upward.

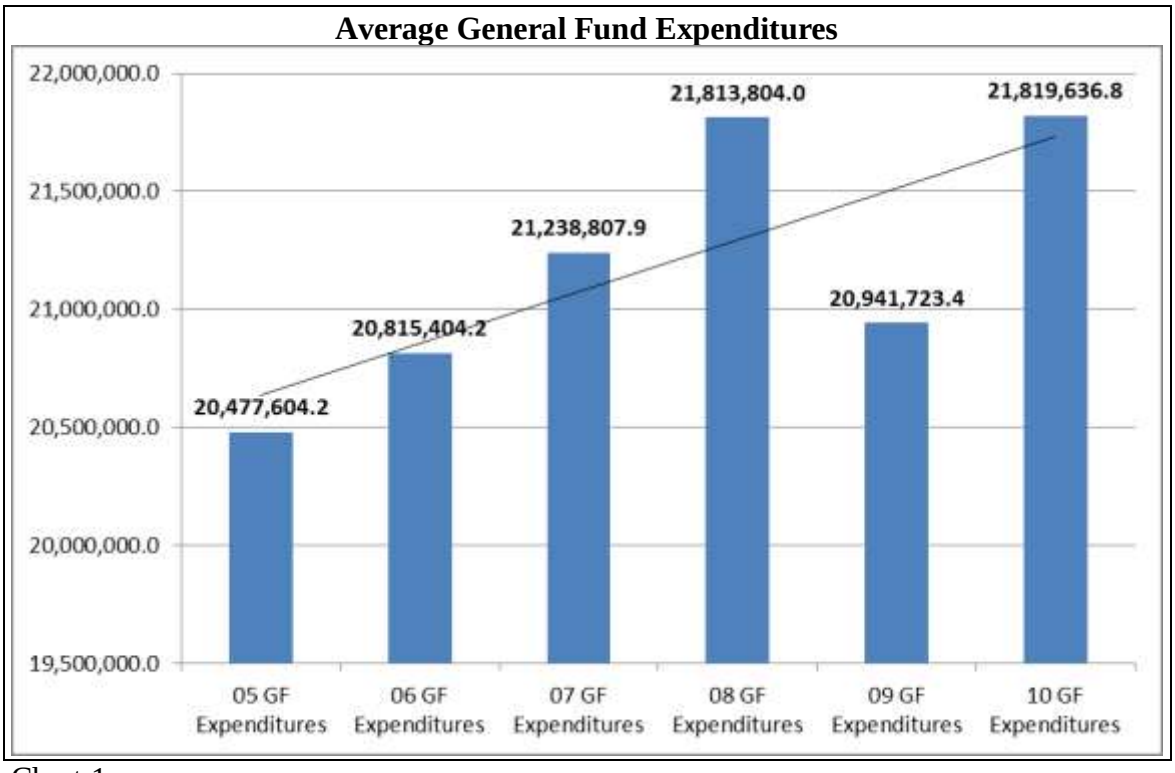

Chart 1

Chart 2 below indicates similar information. Again, the total expenditures increase in fiscal years 2005 – 2008, with a decrease in 2009, and back to 2008 levels in 2010. The trend line also continues to move up during this five year period.

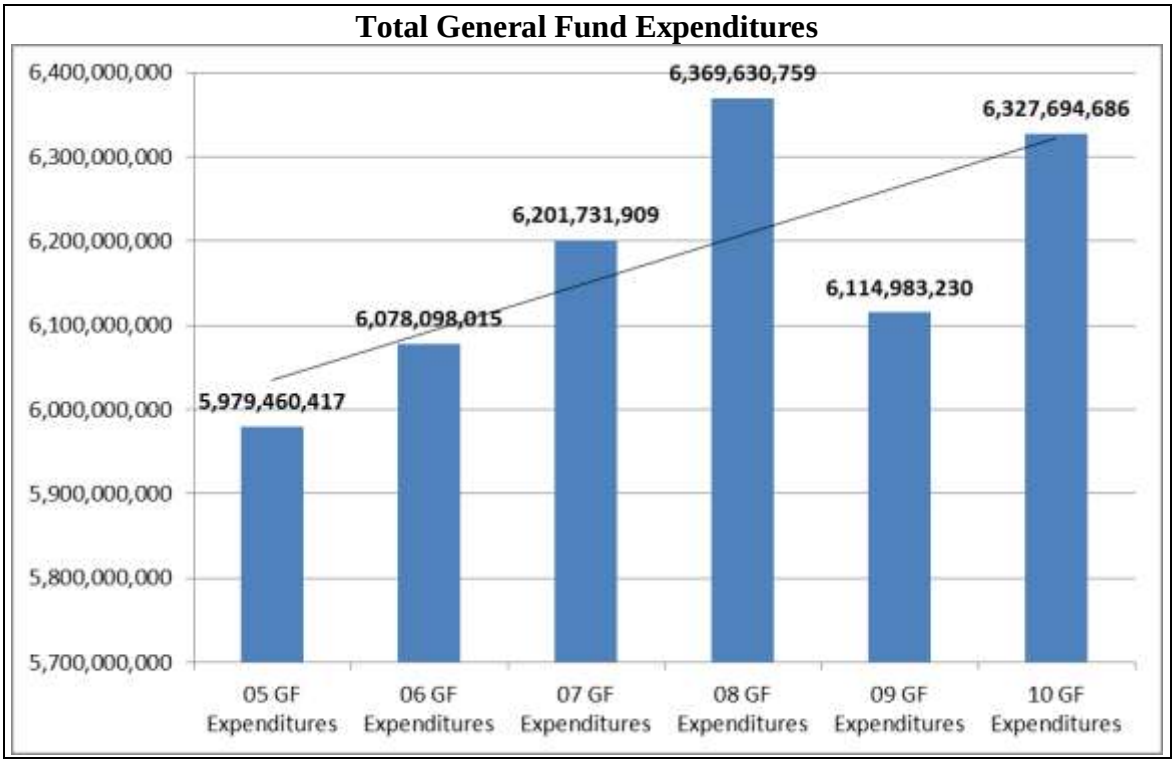

Chart 2

During the same period, Indiana public school enrollment remains fairly constant. Specifically, during years 2005-2008, an increased enrollment is realized each year. However, in 2009-2011, a slight enrollment decrease is realized. During this same period, statewide charter school enrollment doubled from 11,121 in 2008 to 23,460 in 2011 (Indiana Public Charter School Association [IPCSA], 2011). The public school enrollment in 2009 is nearly identical to the public school enrollment during 2006. The

trend line moves slightly lower during the seven year period. Chart 3 and chart 4 show the average ADM and total ADM among all 292 Indiana public school corporations.

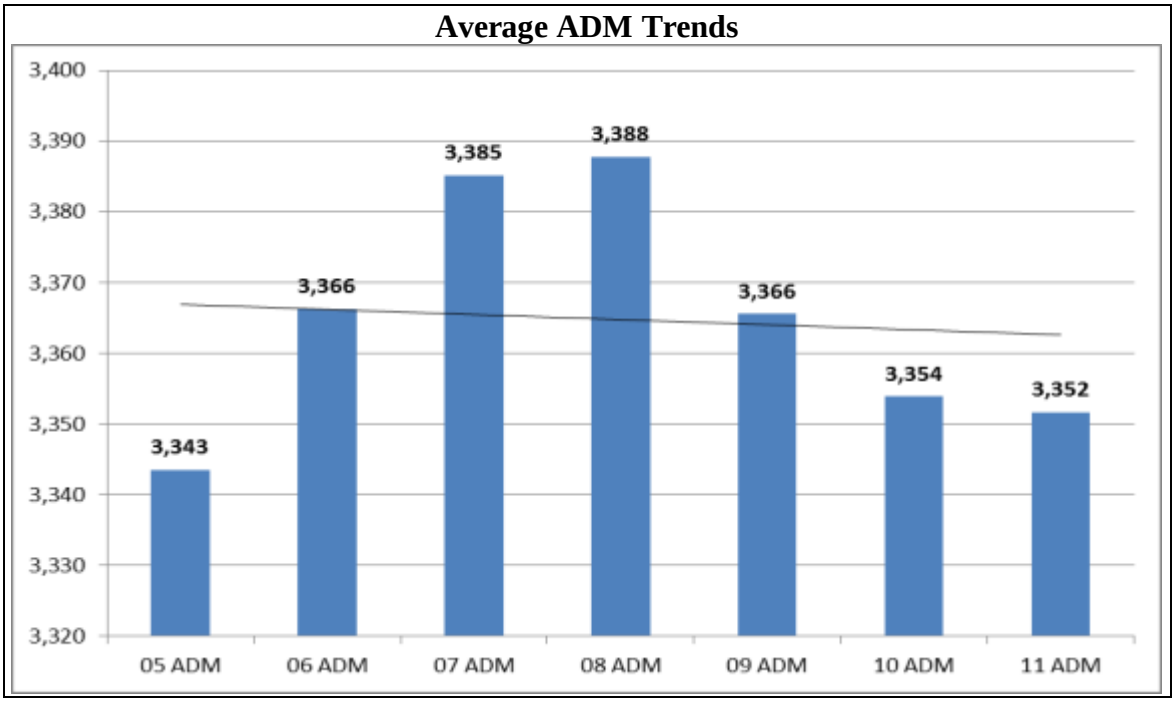

Chart 3

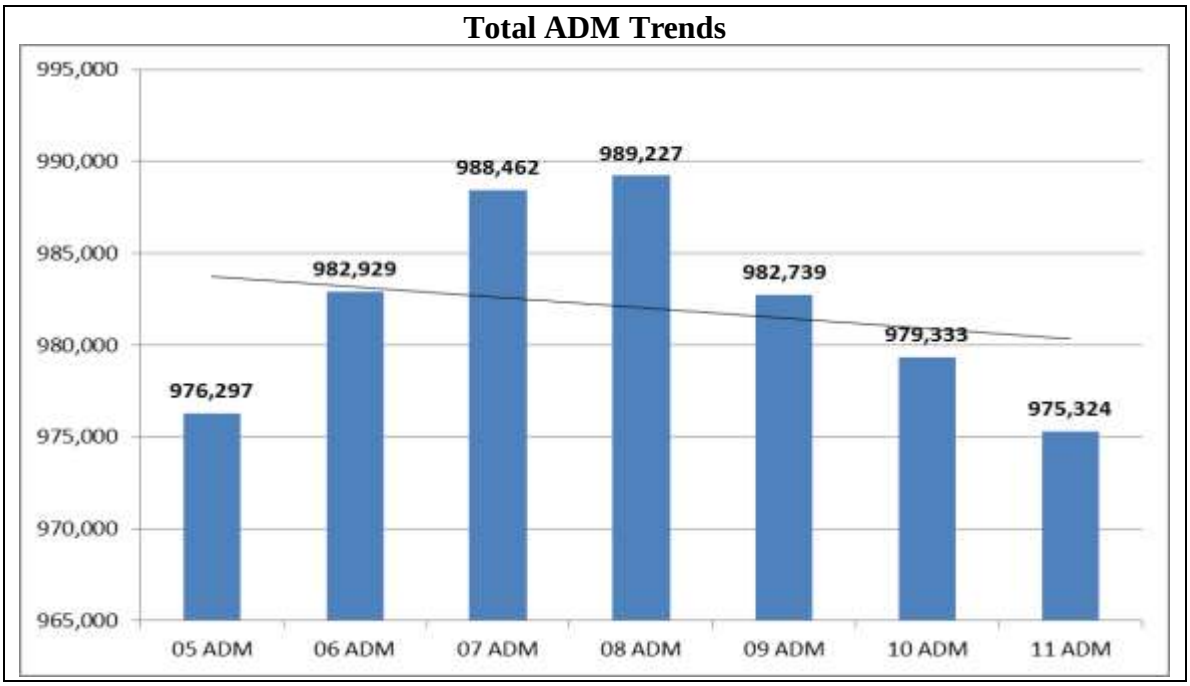

Chart 4

Using the data described above; total and average enrollment, and total and average general fund expenditures, an analysis of the average general fund expenditure per ADM for all 292 Indiana public school corporations is shown. With declining enrollment in 2009, a reduction in general fund expenditures can be expected as well. And while this does indeed happen, the average general fund expenditure per ADM also occurs. Chart 5 below illustrates this, as well as the average general fund expenditure for all 292 Indiana public school corporations from 2005-2010.

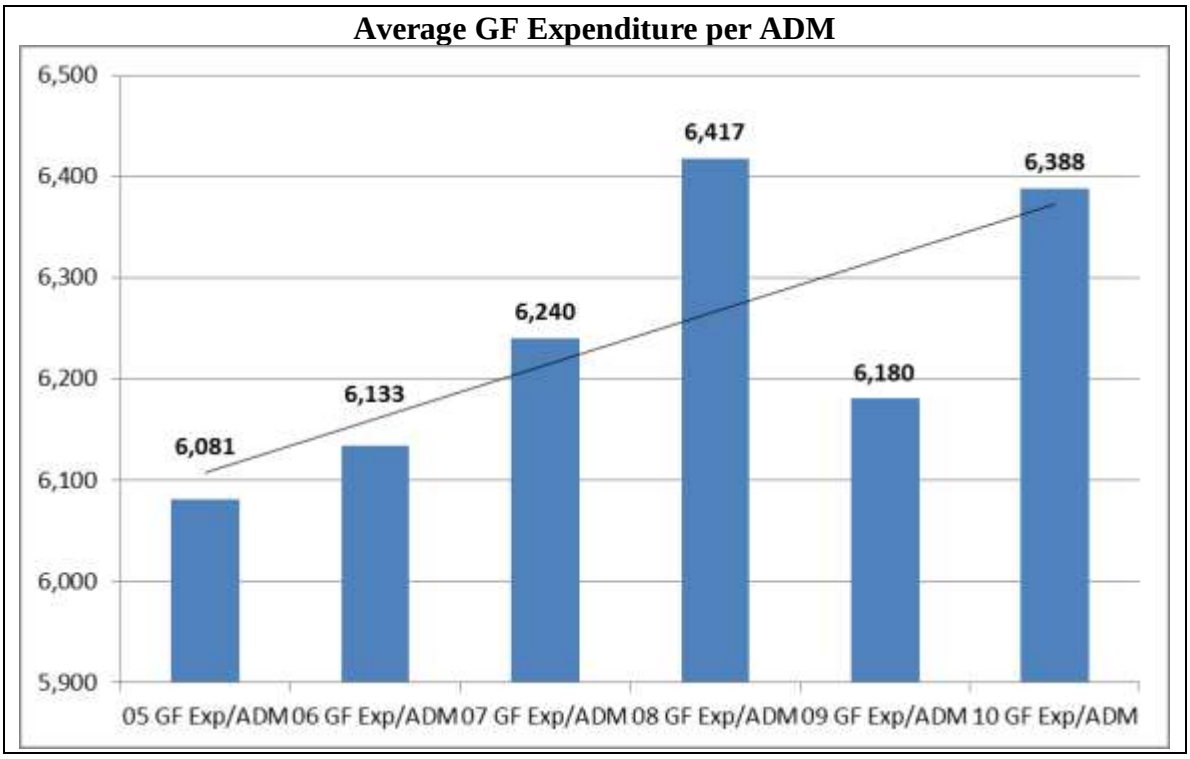

Chart 5

While the change in enrollment is less than 1% each year, the change in the average general fund expenditure per ADM is more pronounced. The general fund expenditures for 2006, 2007, and 2008 show a gradual increase each year from 0.9%, 1.7%, and 2.8% respectively. The most dramatic change is in 2009. In 2009, there is a

3.7% decrease in general fund expenditures from the prior year. In contrast, in 2006, 2007, and 2008, there is an increase in enrollment of 0.7%, 0.6%, 0.1% respectively. In 2009, there was a 0.7% decrease in enrollment. Due to the percentage decrease in general fund expenditures being much larger than the percentage decrease in enrollment from 2008 to 2009, there is also a significant percentage decrease in the amount of general fund expenditures per ADM from 2008 to 2009. Chart 6 below illustrates this data.

Percent Change in Enrollment, General Fund Expenditures, and General Fund Expenditures per ADM

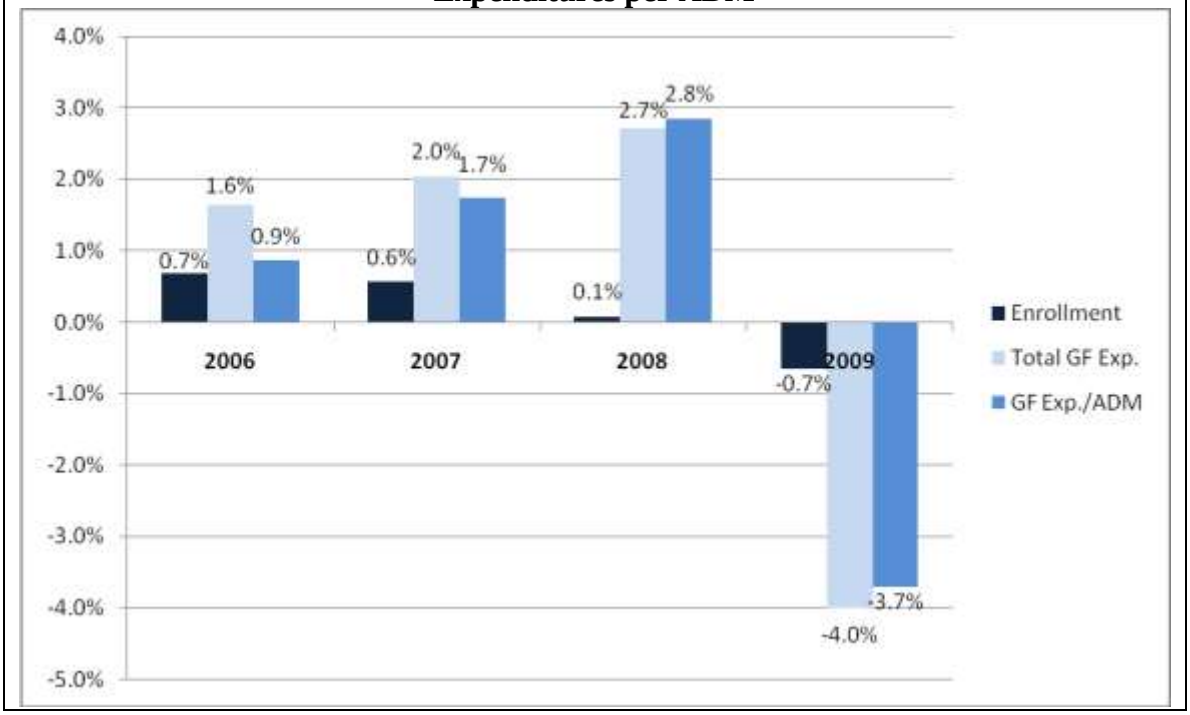

Chart 6

In summary, in fiscal years 2006-2008, the increase in general fund expenditures outpaces the increase in enrollment, thereby increasing the amount of general fund expenditures per ADM. However, the decrease in general fund expenditures in fiscal

year 2009 outpaces the decrease in enrollment, thereby decreasing the amount of general fund expenditure per ADM.

The general fund cash balance trends over the past several years for the 292 public school corporations in Indiana are also analyzed. Chart 7 shows that after a small increase in the 2007 average general fund cash balance, the average general fund cash balance decreases in 2008 and 2009. This is followed by an increase in the average general fund cash balance in 2010. Chart 8 illustrates a similar pattern regarding the total general fund cash balance of all 292 public school corporations in Indiana.

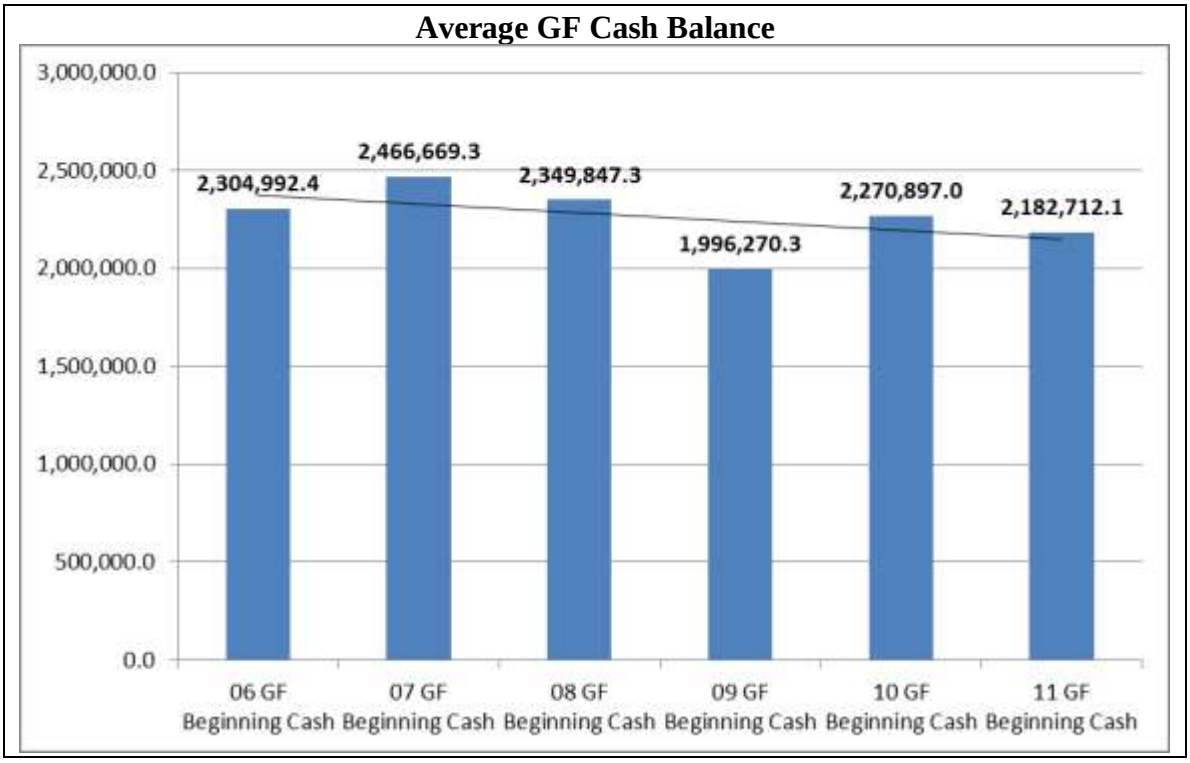

Chart 7

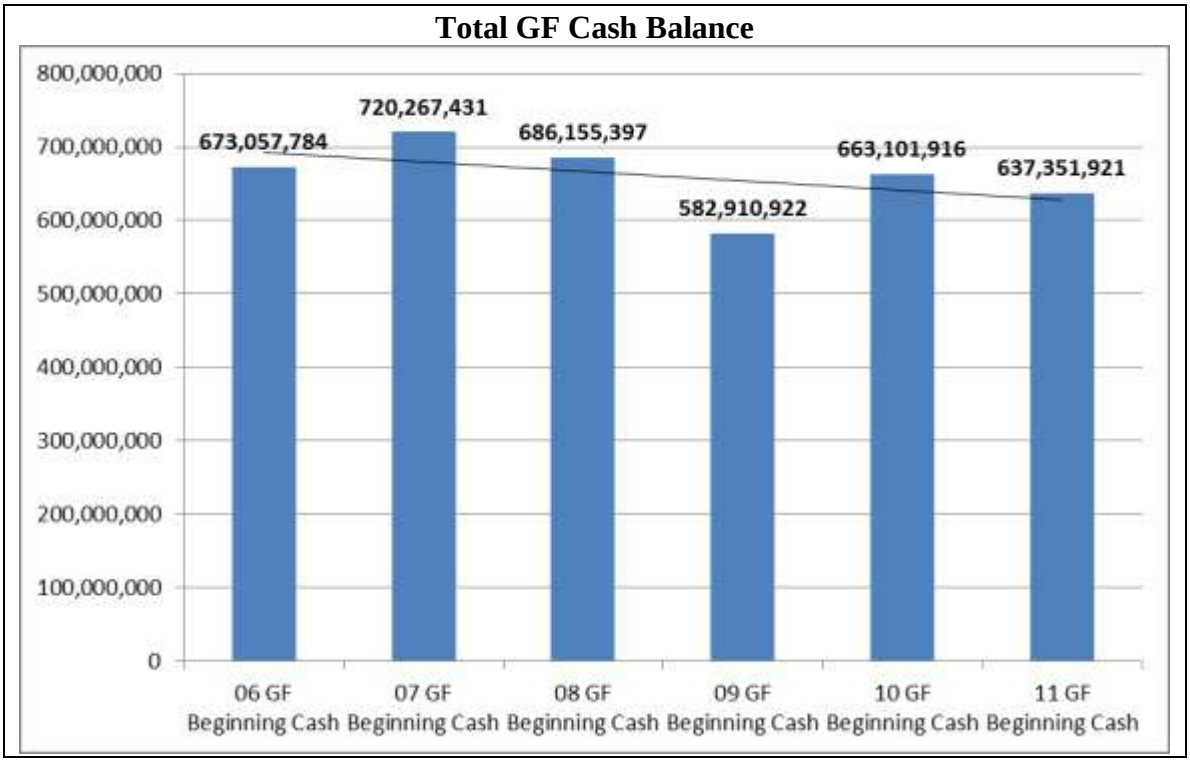

Chart 8

A more telling sign of the state of the general fund cash balance is illustrated in Chart 9. This chart shows the average general fund cash balance as a percentage of general fund expenditures for all 292 public school corporations in Indiana. Chart 9 clearly shows a downward trend of the general fund cash balance as a percentage of general fund expenditures, from 11.1% in 2006 to 9.5% in 2009. In 2010 and 2011, the percentage makes a slight recovery to 10.4% and 10.0% repsectively.

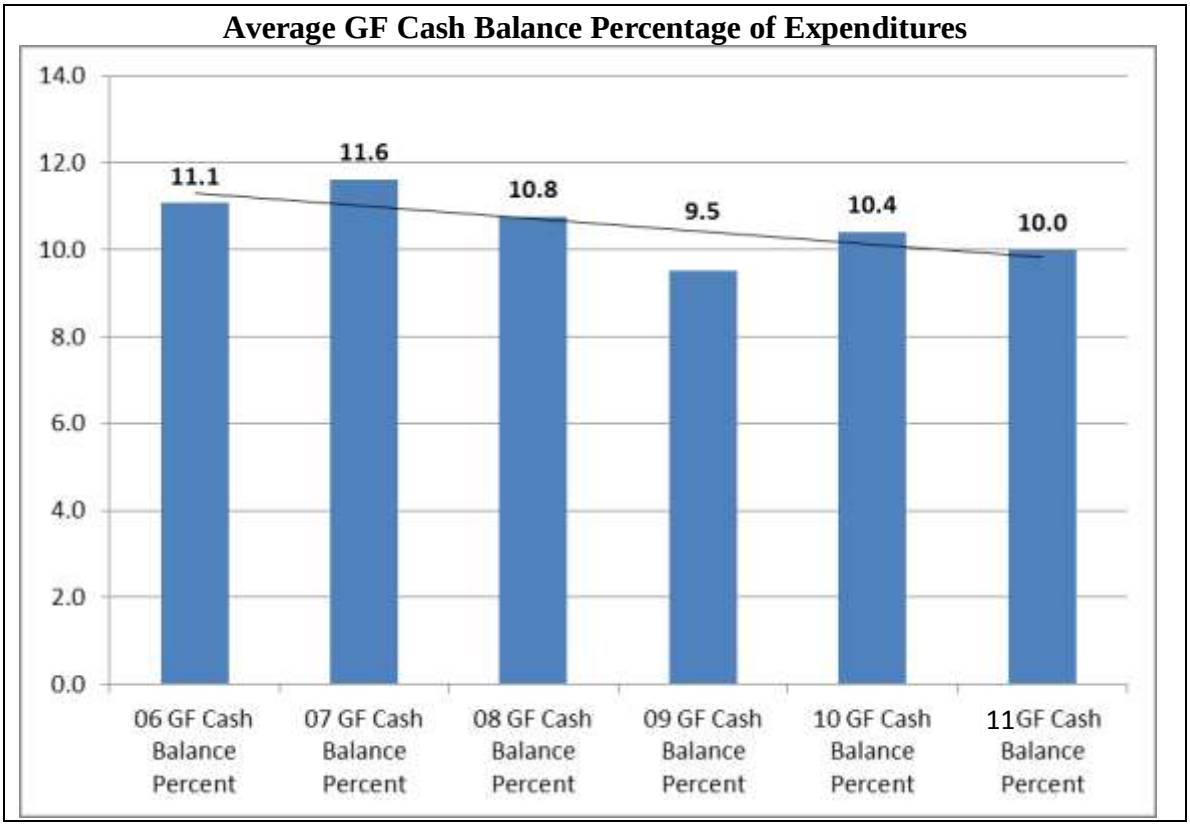

Chart 9

Chart 10, Chart 11, and Chart 12, show the results of the general fund property tax being elliminated for 2009. Each chart shows a relative flat line in total state support, average state support, and state support per ADM for years 2005, 2006, 2007, and 2008. In 2009, the state realizes a 64% increase in state support; from $3.8B to $6.3B in total state support, from $13.1M to $21.6M in average state support, and $3.9k to $6.4k in state support per ADM. This trend continues in 2010 with a slight increase.

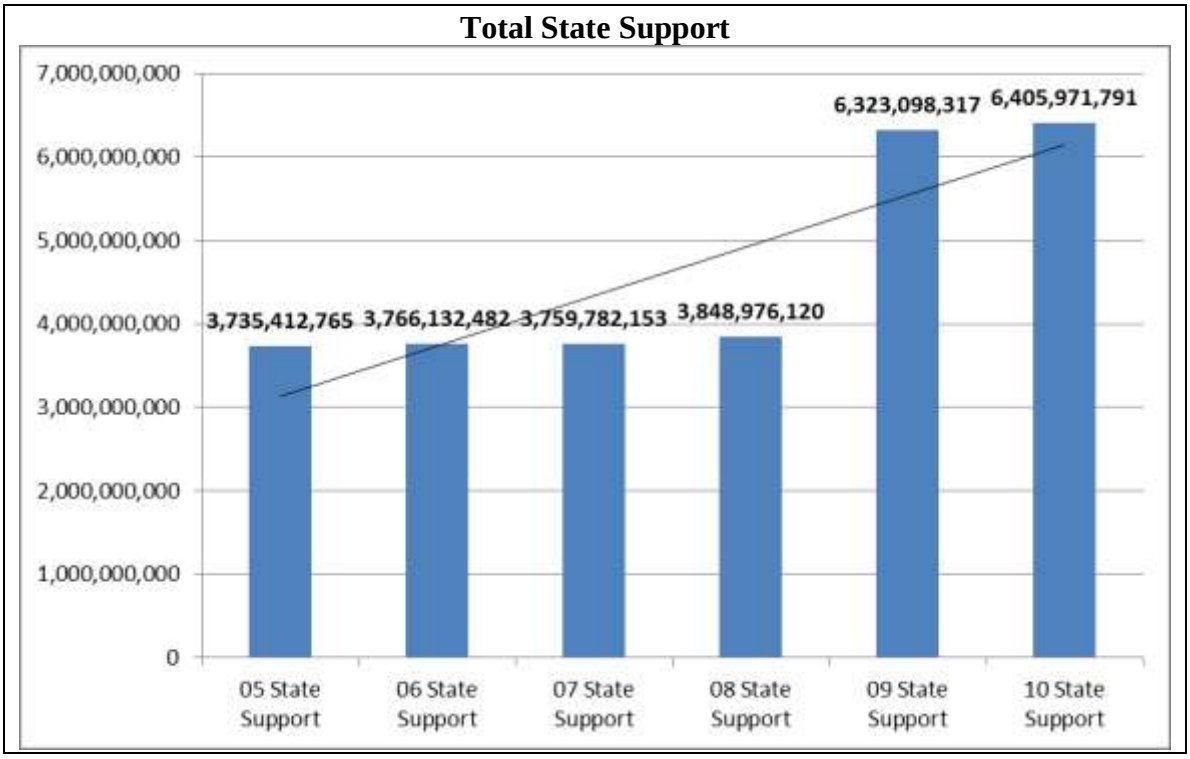

Chart 10

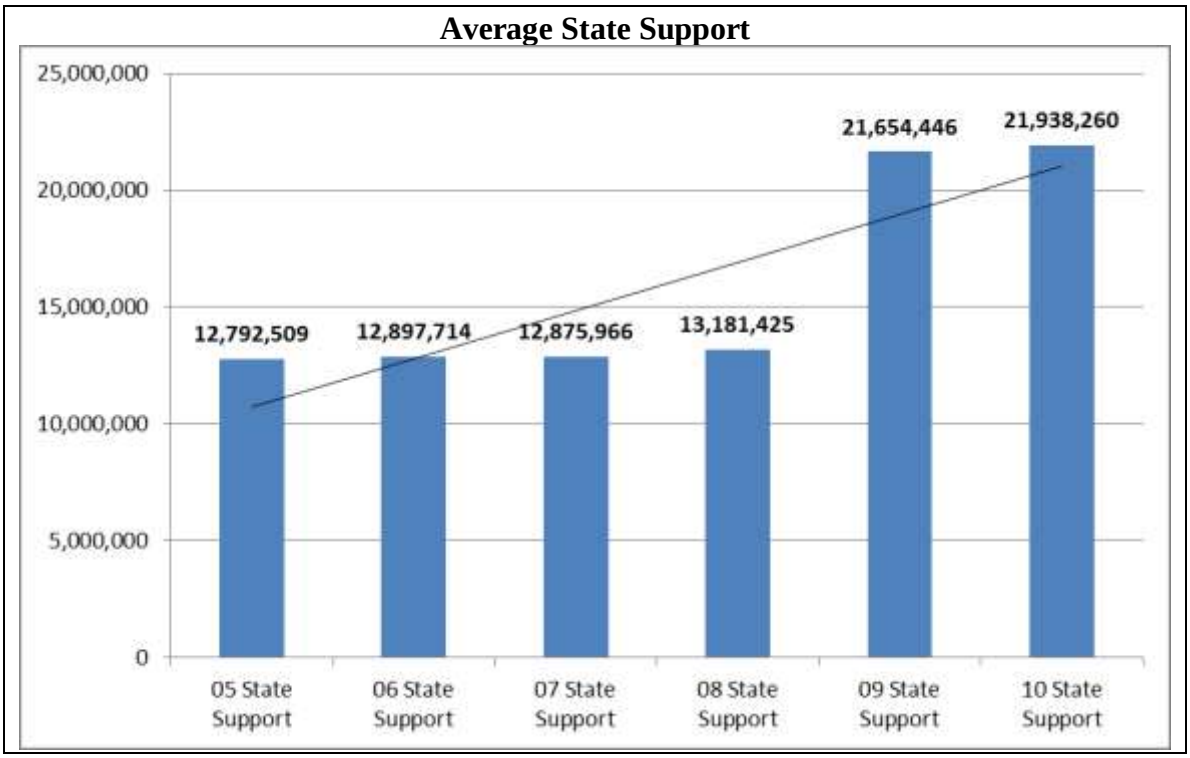

Chart 11

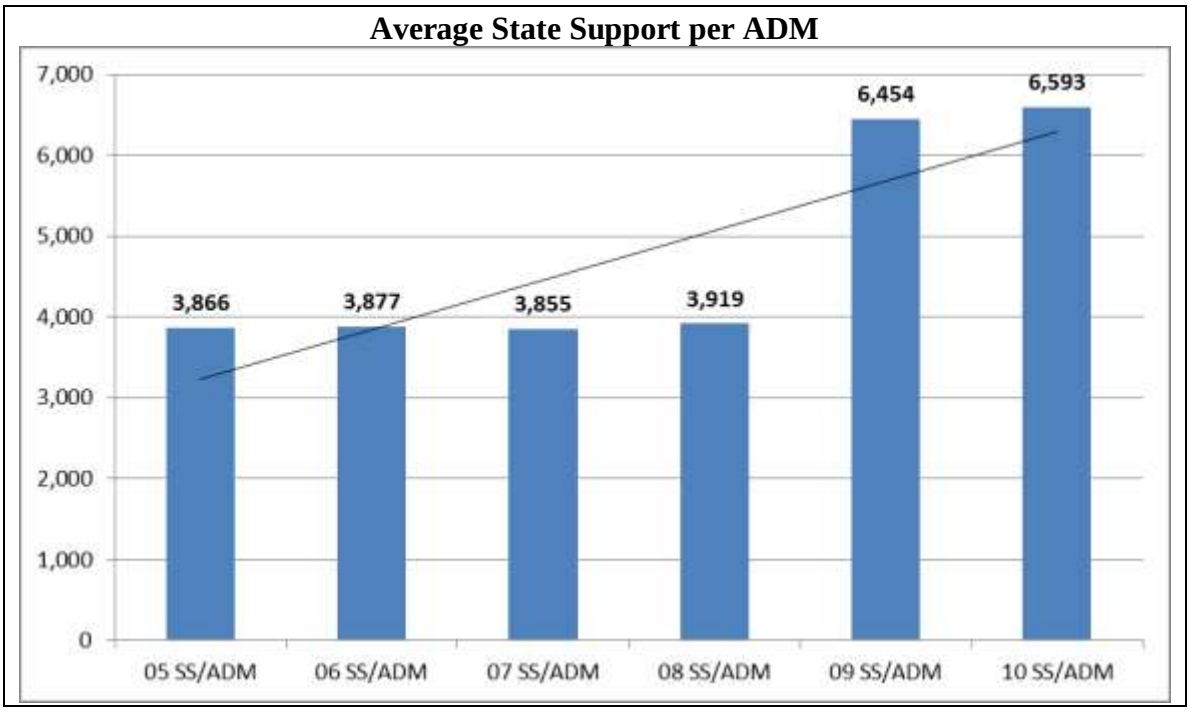

Chart 12

Student transfer trends throughout the state are analyzed. Indiana public school corporations are required to submit enrollment data to the state each year during September. For this report, the terminology for a student transfer in Indiana is a cash transfer, or an ADM type 3. Cash transfer – ADM type 3 enrollment data for the past several years were obtained from the Indiana Department of Education. Karen Lane from the data and accoutability office was called. She made the data available, since it was not available on the website. The data obtained clearly shows significant increase in the cash transfers in 2010 and 2011 compared to the number of cash transfers in 2006, 2007, 2008, and 2009. Prior to 2010, the number of cash transfers in the 292 public school corporations in Indiana is under 3,000. In 2010, this number doubles to 6,449. The total cash transfers nearly doubles again in 2011 to 11,313. Chart 13 illustrates this jump.

This same data computes to an average of 22.1 cash transfers for each public school corporation in 2010 and 38.9 in 2011, compared to 10.1 or less the prior years. Chart 14 illustrates the average cash transfers per school corporation. The final chart regarding cash transfers, Chart 15, illustrates cash transfers as a total percentage of ADM. And while the total percentage is small for 2010, 0.69%, it illustrates a 126% increase from 2009. If a 126% rate of growth continues for several years, by 2013, cash transfers will account for over 11% of ADM. If the percent of cash transfers increases by 1.01% each year, by 2013, cash transfers will account for 4.30% of ADM. Charts 16 and 17 shows these potential extrapolations.

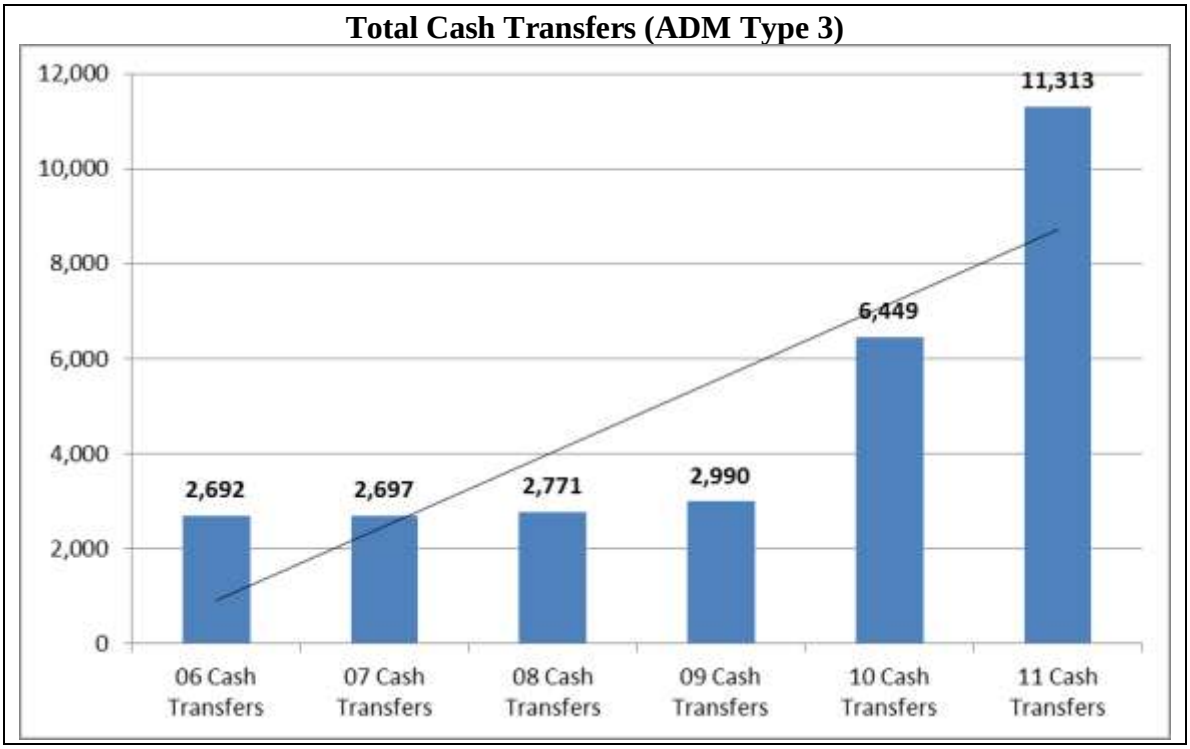

Chart 13

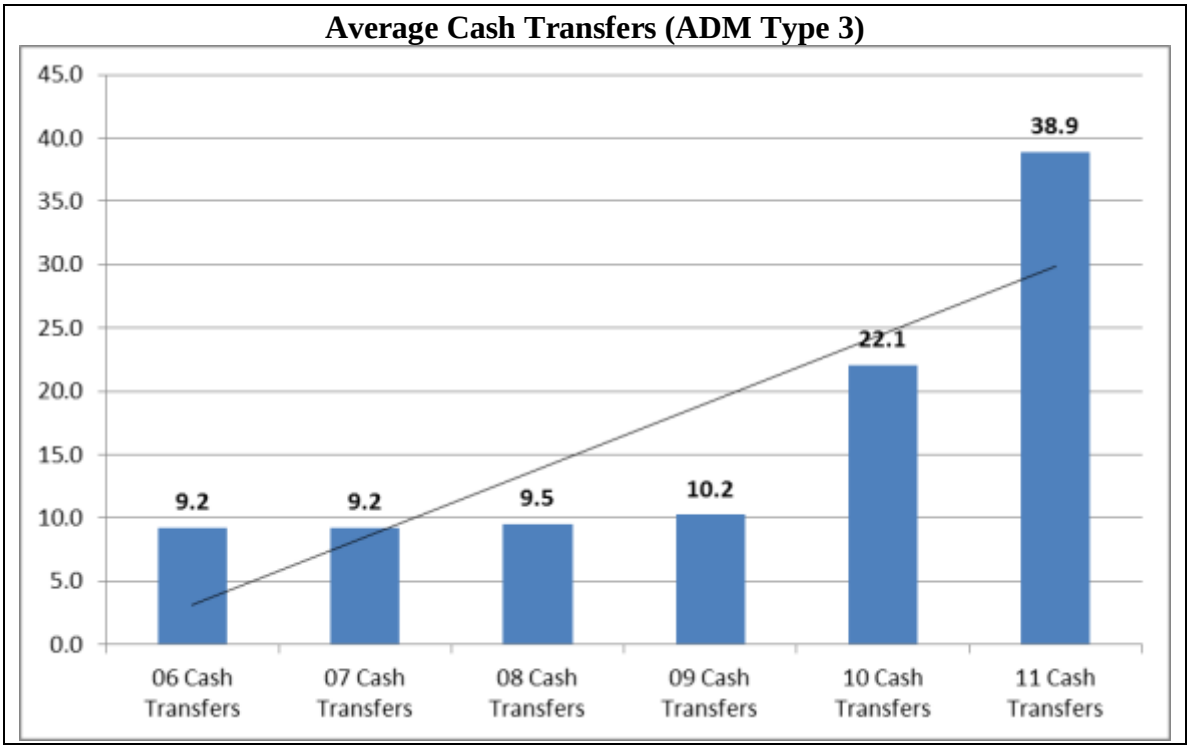

Chart 14

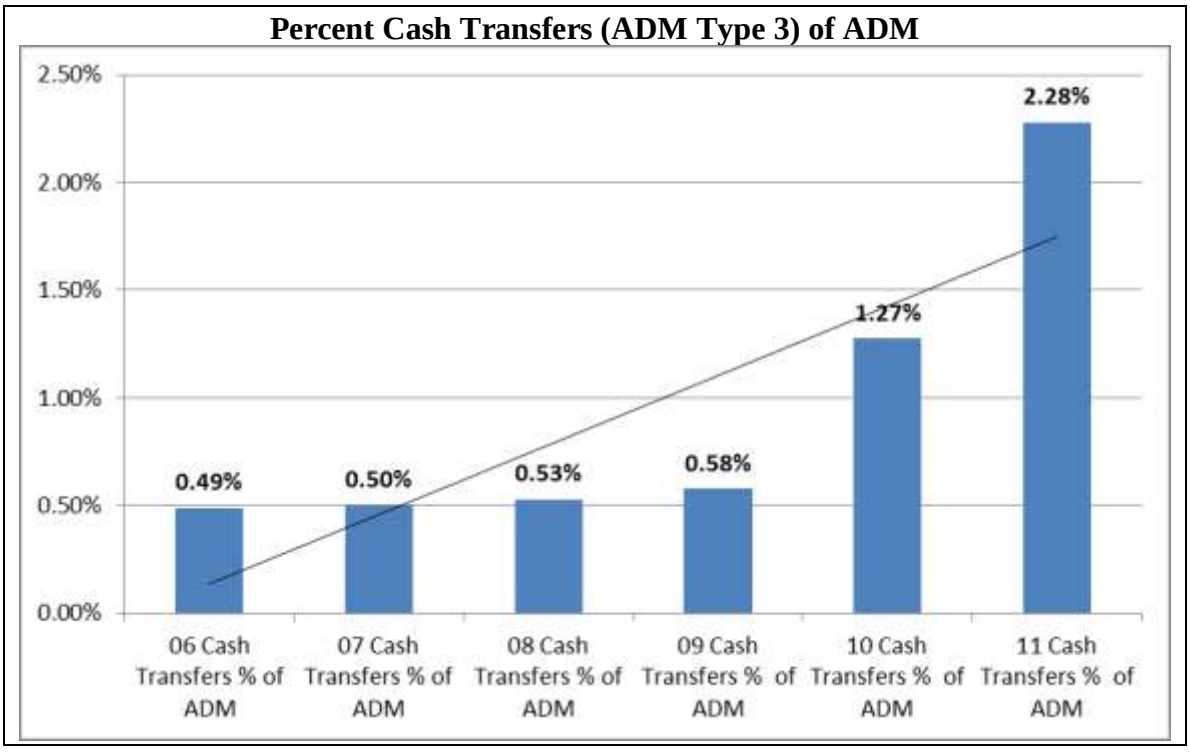

Chart 15

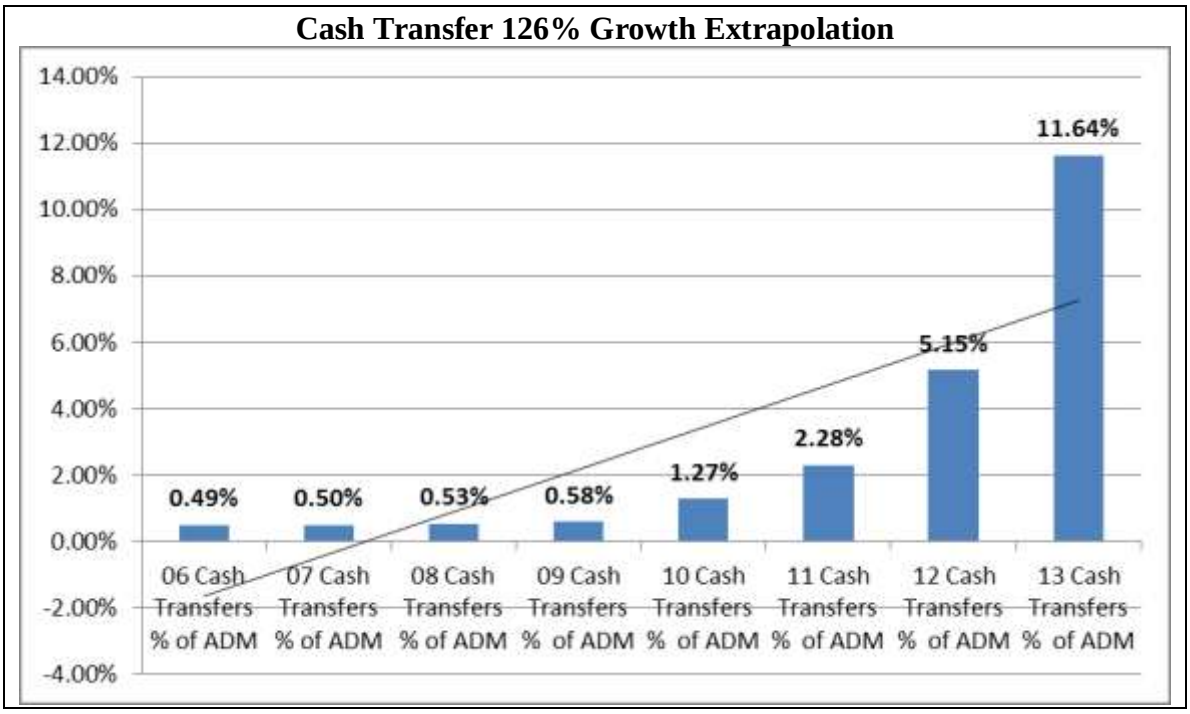

Chart 16

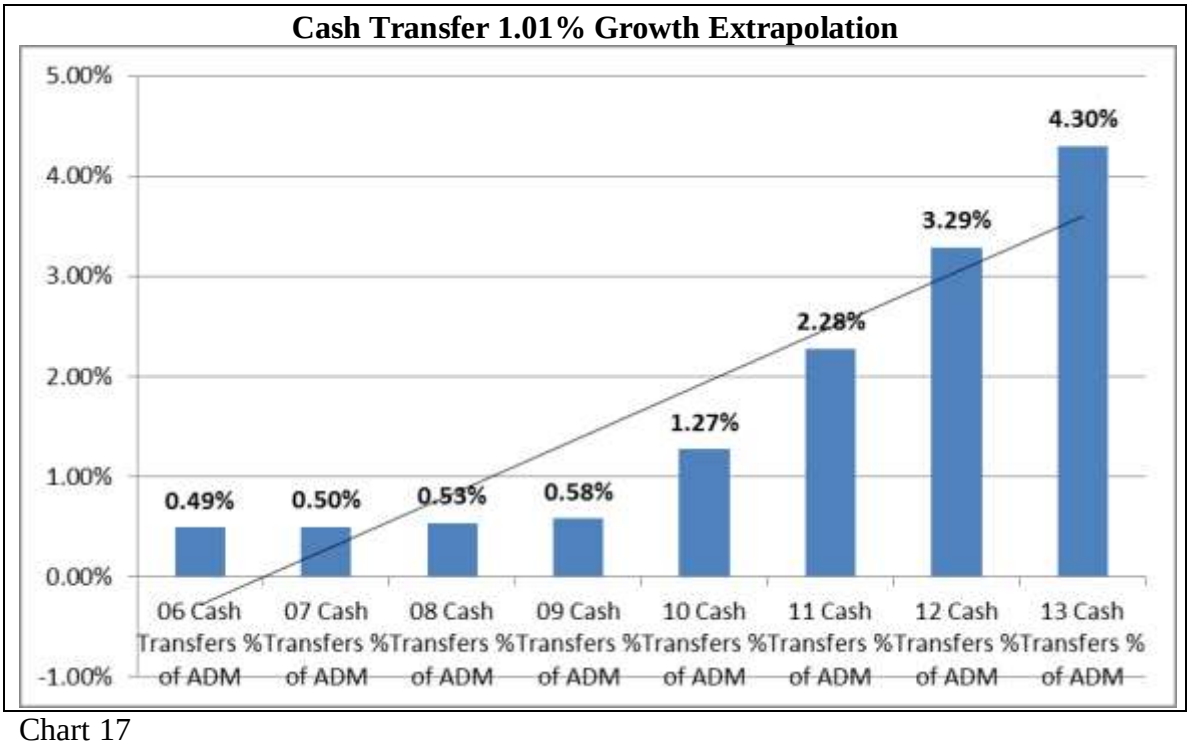

Chart 17

Clearly, the data indicates that the elimintation of the general fund property tax conicided with an increase student transfers.

Analysis of Correlations of Percent of Cash Transfers and Various Demographic and Financial Data

Next, correlations between the percent cash transfers of ADM with various demographic and financial data are analyzed using the Pearson r correlation coefficent. A Pearson r correlation coefficient should be used when both variables are either an interval or ratio scale (Higgins, 2005). The first correlation analyzed, shown on Table 5, is with the 2010 GF beginning cash balance. The correlation between the cash transfers percent of ADM and the 2010 general fund (GF) beginning cash balance iss -0.034. This is statistically insignificant, and is considered to have no correlation.

Correlation of 2009 Cash Transfer % of ADM and 2010 GF Beginning Cash Balance

		09 Cash Transfers % of ADM	10 GF Beginning Cash
09 Cash Transfers % of ADM	Pearson Correlation	1	-.034
	Sig. (2-tailed)		.561
	N	292	292
10 GF Beginning Cash	Pearson Correlation	-.034	1
	Sig. (2-tailed)	.561	
	N	292	292

Table 6

The next correlation analyzed, shown on Table 7, is with the difference in the 2005-2009 ADM. The correlation between the cash transfers percent of ADM and the difference in the 2005-2009 ADM was 0.021. This is statistically insignificant, and is considered to have no correlation.

Correlation of 2009 Cash Transfer % of ADM and 2005-2009 ADM Difference			
		09 Cash Transfers % of ADM	05-09 ADM Difference
09 Cash Transfers % of ADM	Pearson Correlation	1	.021
	Sig. (2-tailed)		.721
	N	292	292
05-09 ADM Difference	Pearson Correlation	.021	1
	Sig. (2-tailed)	.721	
	N	292	292

Table 7

The next correlation analyzed, shown on Table 8, is with the 2005-2009 ADM trend. The correlation between the cash transfers percent of ADM and the 2005-2009 ADM trend is 0.028. This is statistically insignificant, and is considered to have no correlation.

Correlation of 2009 Cash Transfer % of ADM and 2005-2009 ADM Trend			
		09 Cash Transfers % of ADM	05-09 ADM Trend
09 Cash Transfers % of ADM	Pearson Correlation	1	.028
	Sig. (2-tailed)		.629
	N	292	292
05-09 ADM Trend	Pearson Correlation	.028	1
	Sig. (2-tailed)	.629	
	N	292	292

Table 8

The next correlation analyzed, shown on Table 9, is with the difference in the 2005-2009 general fund beginning cash balance. The correlation between the cash transfers percent of ADM and the difference in the 2005-2009 general fund beginning

cash balance is 0.022. This is statistically insignificant, and is considered to have no correlation.

Correlation of 2009 Cash Transfer % of ADM and 2005-2009 General Fund Beginning Cash Balance Trend

		09 Cash Transfers % of ADM	06-10 Cash Difference
09 Cash Transfers % of ADM	Pearson Correlation	1	-.022
	Sig. (2-tailed)		.712
	N	292	292
06-10 Cash Difference	Pearson Correlation	-.022	1
	Sig. (2-tailed)	.712	
	N	292	292

Table 9

The next correlation analyzed, shown on Table 10, is with the 2009 general fund beginning cash balance percentage. The correlation between the cash transfers percent of ADM and the 2009 general fund beginning cash balance percentage is .056. This is statistically insignificant, and is considered to have no correlation.

Correlation of 2009 Cash Transfer % of ADM and 2009 General Fund Beginning Cash Balance Percentage

		09 Cash Transfers % of ADM	09 GF Cash Balance Percent
09 Cash Transfers % of ADM	Pearson Correlation	1	.056
	Sig. (2-tailed)		.342
	N	292	292
09 GF Cash Balance Percent	Pearson Correlation	.056	1
	Sig. (2-tailed)	.342	
	N	292	292

Table 10

A correlation between the amount of state support per ADM and the student transfer percentage of ADM for 2009 is analyzed. No significant correlation is found to exist. It is logical to assume that those corporations receiving more money from the state per ADM are more likely to have a higher percentage of student transfers due to the fact that they are receiving more money from the state for each one. However, only a -.064 correlation is found, which is not considered to be significant. Table 11 shows this correlation.

Correlation of 2009 Cash Transfer % of ADM and 2009 General Fund State Support per ADM

		09 Cash Transfers % of ADM	09 SS/ADM
09 Cash Transfers % of ADM	Pearson Correlation	1	-.064
	Sig. (2-tailed)		.274
	N	292	292
09 SS/ADM	Pearson Correlation	-.064	1
	Sig. (2-tailed)	.274	
	N	292	292

Table 11

The next group of demographics analyzed for correlations with the student transfer percentage of ADM was the total ADM for 2005, 2006, 2007, 2008, 2009, 2010, and 2011. Out of all the various demographics analyzed regarding correlation significance, these demographics are the only ones that tested significant at a 0.01 level of confidence, albeit small.

Analysis of Correlations of Percent of Cash Transfers and Total ADM

Table 12 below shows the correlation between the student transfer percentage of ADM and the total ADM for the various years.

Correlation of Cash Transfer % of ADM and Total ADM	
Year	**Correlation**
2006	-.236
2007	-.244
2008	-.239
2009	-.267
2010	-.264
2011	-.269

Table 12

As Table 12 above shows, in years 2006-2011 there is a consistent negative correlation between the student transfer percentage of ADM and total ADM. In 2009, the negative correlation is stronger than it was in years 2006-2008, and continues in strength for 2010 and 2011. This indicates that smaller public school corporations tend to have larger percentages of student transfers. Anything between 0.1 and 0.3, or -0.1 and -0.3, is considered to have a small correlation (Cohen, 1988). The data indicates that for years

2006-2011, there is a small negative correlation between the percentage of student transfers and total ADM. The data also shows that the elimination of the general fund property tax in 2009 does not cause this correlation, as it is present in years 2005-2008. However, the data does show that the correlation became stronger in 2009, the year the general fund property tax was eliminated.

Tables 13-18 below illustrate the correlations between the percentage of student transfers and total ADM for years 2006-2011.

Correlation of 2006 Percentage of Student Transfers and Total ADM

		06 ADM	06 Cash Transfers % of ADM
06 ADM	Pearson Correlation	1	-.236**
	Sig. (2-tailed)		<.001
	N	292	292
06 Cash Transfers % of ADM	Pearson Correlation	-.236**	1
	Sig. (2-tailed)	<.001	
	N	292	292

**. Correlation is significant at the 0.01 level (2-tailed).

Table 13

Correlation of 2007 Percentage of Student Transfers and Total ADM			
		07 ADM	07 Cash Transfers % of ADM
07 ADM	Pearson Correlation	1	-.244**
	Sig. (2-tailed)		<.001
	N	292	292
07 Cash Transfers % of ADM	Pearson Correlation	-.244**	1
	Sig. (2-tailed)	<.001	
	N	292	292
**. Correlation is significant at the 0.01 level (2-tailed).			

Table 14

Correlation of 2008 Percentage of Student Transfers and Total ADM			
		08 ADM	08 Cash Transfers % of ADM
08 ADM	Pearson Correlation	1	-.239**
	Sig. (2-tailed)		<.001
	N	292	292
08 Cash Transfers % of ADM	Pearson Correlation	-.239**	1
	Sig. (2-tailed)	<.001	
	N	292	292
**. Correlation is significant at the 0.01 level (2-tailed).			

Table 15

Correlation of 2009 Percentage of Student Transfers and Total ADM			
		09 ADM	09 Cash Transfers % of ADM
09 ADM	Pearson Correlation	1	-.267**
	Sig. (2-tailed)		<.001
	N	292	292
09 Cash Transfers % of ADM	Pearson Correlation	-.267**	1
	Sig. (2-tailed)	<.001	
	N	292	292
**. Correlation is significant at the 0.01 level (2-tailed).			

Table 16

Correlation of 2010 Percentage of Student Transfers and Total ADM			
		10 ADM	10 Cash Transfers % of ADM
10 ADM	Pearson Correlation	1	-.264**
	Sig. (2-tailed)		.000
	N	292	292
10 Cash Transfers % of ADM	Pearson Correlation	-.264**	1
	Sig. (2-tailed)	.000	
	N	292	292
**. Correlation is significant at the 0.01 level (2-tailed).			

Table 17

Correlation of 2011 Percentage of Student Transfers and Total ADM			
		11 ADM	11 Cash Transfers % of ADM
11 ADM	Pearson Correlation	1	-.269**
	Sig. (2-tailed)		.000
	N	292	292
11 Cash Transfers % of ADM	Pearson Correlation	-.269**	1
	Sig. (2-tailed)	.000	
	N	292	292
**. Correlation is significant at the 0.01 level (2-tailed).			

Table 18

Again, the demographic of ADM is the only demographic data that tests significant at a 0.01 level of confidence, albeit small. This indicates that smaller school corporations, those with smaller ADM counts, were more likely to have a higher cash transfer percentage of the total ADM.

Analysis of Data Received from the Returned Surveys from Superintendents of Public School Corporations in Indiana

The 186 returned surveys reveals the following information. Prior to the elimination of the general fund property tax, 158 school corporations allow cash transfer students, while 28 do not. In comparison, 166 allow cash transfer students, while 20 do not after the elimination of the general fund property tax. This net change of 8 school corporations is the result of 11 school corporations that previously did not allow student transfers changing to allow student transfers, while 3 school corporations previously allowing student transfers modified policies to not allow student transfers.

There is little difference in the number of school corporations that have a policy regarding cash transfer students prior to and after the elimination of general fund property tax. Of the 186 returned surveys, 157 indicate that they did have a cash transfer policy, while 28 indicate that they did not prior to the elimination of the general fund property tax. After the elimination of the general fund property tax, 152 indicated that they had a cash transfer policy, while 33 indicated that they did not.

The survey includes two questions regarding the number of students transfers enrolled in each school corporation. Question 5 asks for the number enrolled for the 2008-2009 school year, while question 6 asks for the number enrolled for the 2010-2011 school year. The data were found not to be relevant since the actual student transfer enrollment numbers for all 292 Indiana public school corporations was made available through Karen Lane of the IDOE. The average for each question is included in Table 17.

When surveying the Indiana public school superintendents regarding their opinion whether the elimination of the general fund property tax had a negative or positive effect on their school corporation, only 176 choose to respond. Of the 176 that respond, 58 indicate the elimination of the general fund property tax had a positive effect, while 118 indicate it had a negative effect.

And finally, the last question deals with advertisement regarding cash transfer students. Out of the 186 returned surveys, 23 indicate they have been involved in advertising for cash transfer students, while 162 indicate that they have not been involved in advertising for cash transfer students. One superintendent chose not to answer. Below, Table 19 shows the results of these six survey questions.

Survey Instrument Answer Tallies		
Question	**Yes**	**No**
1. Did your school corporation allow transfer students prior to the elimination of the general fund property tax? (n=186)	84.9% (158)	15.1 % (28)
2. Does your school corporation allow transfer students after the elimination of the general fund property tax? (n=186)	89.2% (166)	10.3% (20)
3. Did your school corporation have a board policy regarding transfer students prior to the elimination of the general fund property tax? (n=185)	84.9% (157)	15.1% (28)
4. Does your school corporation have a board policy regarding transfer students as a result of the elimination of the general fund property tax? (n=185)	82.2% (152)	17.8% (33)
5. How many transfer students were enrolled in your school corporation during the 2008-2009 school year? (n=184)	Average = 16.1	
6. How many transfer students were enrolled in your school corporation during the 2010-2011 school year? (n=182)	Average = 41.1	
7. In your opinion, has the elimination of the general fund property tax had a positive effect on your school corporation? (n=176)	33.0% (58)	67.0% (118)
8. Has your school corporation been involved in any advertisement or recruitment of transfer students? (n=185)	12.4% (23)	87.6% (162)

Table 19

A cursory analysis of the survey data shows that small to medium negative correlations exists regarding several of the survey question data and the 2009 ADM. Table 20 shows these correlations.

Table of Various Significant Correlations		
Value 1	**Value 2**	**Correlation**
Positive Effect	2009 Total ADM	-.204
Allowed Student Transfers Prior	2009 Total ADM	-.328
Allowed Student Transfers After	2009 Total ADM	-.336

Table 20

Table 21 below, shows the correlation between the returned surveys indicating the elimination of general fund property tax had a positive effect, and the 2009 total ADM. There is a small negative correlation indicating that surveys from smaller school corporations are more likely to indicate that the elimination of the general fund property tax had a positive effect.

Correlation of Positive Effect Survey Question and 2009 Total ADM			
		09 ADM	Positive Negative
09 ADM	Pearson Correlation	1	-.204**
	Sig. (2-tailed)		.007
	N	185	176
Positive Negative	Pearson Correlation	-.204**	1
	Sig. (2-tailed)	.007	
	N	176	176
**. Correlation is significant at the 0.01 level (2-tailed).			

Table 21

There is a small negative correlation between public school corporations allowing student transfers before the elimination of the general fund property tax and the 2009 total ADM, as well a small negative correlation between public school corporations allowing student transfers after the elimination of the general fund property tax and the 2009 total ADM. Tables 22 and 23 below show these correlations.

Correlation of Allowing Student Transfer Prior and 2009 Total ADM

		09 ADM	Allow Transfers Prior
09 ADM	Pearson Correlation	1	-.328**
	Sig. (2-tailed)		.000
	N	185	185
Allow Transfers Prior	Pearson Correlation	-.328**	1
	Sig. (2-tailed)	.000	
	N	185	185

**. Correlation is significant at the 0.01 level (2-tailed).

Table 22

Correlation of Allowing Student Transfer After and 2009 Total ADM

		09 ADM	Allow Transfers After
09 ADM	Pearson Correlation	1	-.336**
	Sig. (2-tailed)		.000
	N	185	185
Allow Transfers After	Pearson Correlation	-.336**	1
	Sig. (2-tailed)	.000	
	N	185	185

**. Correlation is significant at the 0.01 level (2-tailed).

Table 23

Both of these correlations indicate that smaller public school corporations were more likely to allow student transfers both before and after the elimination of the general fund property tax.

A t-test to compare the means was determined to be a better way to further analyze the survey data. According to Abell, Braselton, and Rafter (2002), "a statistical test could be used to compare each pair of means; the usual statistical technique in this case is known as the t-test". Since the data for the answers to these three questions could be divided into two groups; those respondents that answered "yes" to each questions, and those respondents that answered "no" to each questions – a t-test would allow a comparison between the mean 2009 ADM for each group.

The first set of data analyzed using a t-test is the survey data obtained from questions 1 and 2 – "Did your school corporation allow transfer students prior to the elimination of the general fund property tax?", and "Does your school corporation allow transfer students after the elimination of the general fund property tax?" As Tables 23 and 24 illustrate, the "Yes" survey participant group has an average 2009 ADM of 2,410.618 and 2,483.512 for questions 1 and 2 respectively, while the "No" survey participant group has an average 2009 ADM of 5,486.924 and 6,116.076.

Even with the high standard deviation indicating a large variance, the t-test reveals that board policy for smaller school corporations is more likely to allow student transfers both before and after the elimination of the general fun property tax. The 2009 ADM range for those school corporations not allowing student transfers after the elimination of the general fund property tax is 1,554.5 – 15,187.7. The 2009 ADM range

for those school corporations allowing student transfers after the elimination of the general fund property tax is 160.0 – 29,325.1. While the range of the "Yes" survey participant group is much larger than the range in the "No" survey participant group, there is still strong evidence that the "Yes" survey participant group tends to have a smaller 2009 ADM. The "Yes" survey participant group has 81 school corporations with a lower 2009 ADM than the lowest 2009 ADM in the "No" survey participant group of 1,554.5. Also, the "Yes" survey participant group only has one school corporation with a larger 2009 ADM than the highest school corporation in the "No" survey participant group of 15,187.7.

Survey Question 1 Comparison of Means (2009 ADM)					
	Allow Transfers Prior	N	Mean	Std. Deviation	Std. Error Mean
09 ADM	No	28	5486.924	3896.1624	736.3055
	Yes	157	2410.618	3054.9628	243.8126

Table 24

Survey Question 2 Comparison of Means (2009 ADM)					
	Allow Transfers After	N	Mean	Std. Deviation	Std. Error Mean
09 ADM	No	20	6116.076	3944.7149	882.0651
	Yes	165	2483.512	3083.8102	240.0743

Table 25

The second set of data analyzed using a t-test is the survey data obtained from questions 3 and 4 – "Did your school corporation have a board policy regarding transfer students prior to the elimination of the general fund property tax?", and "Does your school corporation have a board policy regarding transfer students as a result of the elimination of the general fund property tax?" As Table 26 and 27 illustrate, the "Yes" survey participant group has an average 2009 ADM of 2,775.796 and 2,299.767 for

questions 3 and 4 respectively, while the "No" survey participant group has an average 2009 ADM of 3,416.439 and 5,531.404.

The t-test indicates that smaller school corporations are more likely to have a board policy regarding student transfer both before and after the elimination of the general fund property tax.

Survey Question 3 Comparison of Means (2009 ADM)					
	Transfer Policy Prior	N	Mean	Std. Deviation	Std. Error Mean
09 ADM	No	29	3416.439	5466.5573	1015.1142
	Yes	156	2775.796	2832.8579	226.8102

Table 26

Survey Question 4 Comparison of Means (2009 ADM)					
	Transfer Policy After	N	Mean	Std. Deviation	Std. Error Mean
09 ADM	No	33	5531.404	5885.0681	1024.4589
	Yes	152	2299.767	2151.8626	174.5391

Table 27

The fourth set of data analyzed using a t-test was the survey data obtained from question 7 – "In your opinion, has the elimination of the general fund property tax had a positive or negative effect on your school corporation?" As Tables 27 and 28 illustrate, the "Yes" survey participant group has an average 2009 ADM of 1869.621, while the "No" survey participant group has an average 2009 ADM of 3300.490. The t-test reveals that superintendents of smaller school corporations are more likely to feel the elimination of the general fund property tax has a positive effect than superintendents of larger school corporations.

Survey Question 7 Comparison of Means (2009 ADM)					
Positive Effect		N	Mean	Std. Deviation	Std. Error Mean
09 ADM	No	118	3300.490	3792.5005	349.1280
	Yes	58	1869.621	1596.7323	209.6612

Table 28

And finally, the fifth set of data analyzed using a t-test is the survey data obtained from question 8 – "Has your school corporation been involved in any advertisement or recruitment of transfer students?" As Table 28 below illustrates, the "Yes" survey participant group has an average 2009 ADM of 2834.807, while the "No" survey participant group has an average 2009 ADM of 2881.811. The t-test reveals that there is little difference in the mean 2009 ADM between those school corporations advertising for student cash transfers and those school corporations not advertising for student cash transfers.

Survey Question 8 Comparison of Means (2009 ADM)					
Yes/No Advertisement		N	Mean	Std. Deviation	Std. Error Mean
09 ADM	No	163	2881.811	3383.1907	264.9920
	Yes	22	2834.807	3354.9109	715.2694

Table 29

Chart 18 shows the summary of the comparisons of the means. With the exception of the question regarding advertisement, all other questions show a significant difference in the 2009 ADM mean. In general, smaller corporations are more likely to indicate the elimination of the general fund property tax is having a positive effect, are more likely to allow student cash transfers both before and after the change, and are also

more likely to have a student cash transfer policy both before and after the change. In the chart, each bar is labeled with the average 2009 ADM.

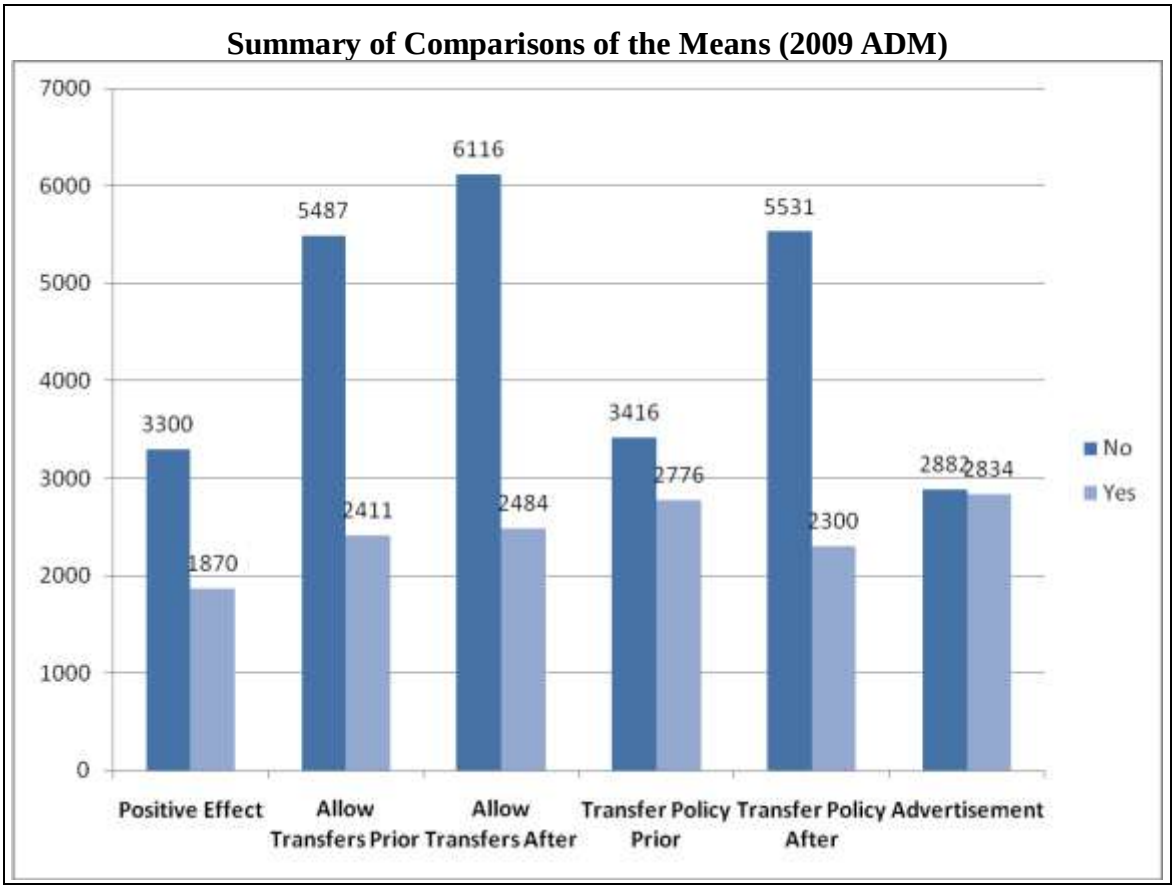

Chart 18

Analysis of Data Received from Public School Corporation Websites

In order to analyze the most recent data, a search for student transfer policies was conducted for all 292 public school coporations via the respective websites. This search was conducted in September, 2011, approximately 10 months after the survey was mailed. By conducting this search, additional data were retrieved. This allowed for a one-year follow up to be conducted regarding changes in the student transfer policies. Also, more data were retreived since the websites of all 292 public school corporations

were searched, and not just the 186 public school corporations that returned a completed survey.

Of the 292 public school corporation websites searched, student transfer policy data were found on 248 of them. The results of the website search find that 226 school corporations allow students transfers, while 22 did not. The percentage that allow student transfers and do not allow student transfers is consistent between the survey of 2010, and the website search of 2011. Table 30 below illustrates this comparison.

Comparison of 2010 Survey Student Transfer Data and 2011 Website Search Student Transfer Data		
Data Source	Yes	No
2010 Survey Data (n=186)	89.2% (166)	10.3% (23)
2011 Website Search Data (n=248)	91.1% (226)	8.9% (22)

Table 30

The data regarding advertising for transfer students were also reviewed. Each school websited was visited to look for advertising for transfer students. Any school corporation that had a link to student transfer information on the homepage was coded as advertisting. The data were compared with survey data regarding advertising. The survey data indicates that 87.6% are not advertising for student transfers, while only 12.4% are advertisting for student transfers. A search of each school corporation website revealed that 82.3% are not advertising for student transfers, while 17.7% are advertising for student transfers. Table 31 below illustrates these findings.

Comparison of 2010 Survey Student Transfer Advertisement Data and 2011 Website Search Student Transfer Advertisement Data		
Data Source	Yes	No
2010 Survey Data (n=185)	12.4% (23)	87.6% (162)
2011 Website Search Data (n=248)	17.7% (44)	82.3% (204)

Table 31

A t-test was used to compare the 2011 ADM mean of the school corporations that allowed student transfers with those that did not allow student transfers. Table 32 below shows the results. Again, with a larger sample of data, the average ADM for the school corporations that do not allow student tranfers is nearly twice the average ADM of those school corporations that do allow student transfers. This is very similar to the t-test comparing the 2009 ADM mean from the survey data. Table 33 shows the t-test data comparing the 2009 ADM mean survey data

Website Search Data Comparison of Means (2011 ADM)					
Allow Transfer		N	Mean	Std. Deviation	Std. Error Mean
11 ADM	No	22	5962.257	3922.7263	836.3280
	Yes	226	3276.953	4299.4516	285.9952

Table 32

Survey Question 2 Comparison of Means (2009 ADM)					
Allow Transfers After		N	Mean	Std. Deviation	Std. Error Mean
09 ADM	No	20	6116.076	3944.7149	882.0651
	Yes	165	2483.512	3083.8102	240.0743

Table 33

The last school website data analyzed was regarding percentage of students transfers and school improvement categories. Per Public Law 221 (P.L. 221), each Indiana school corporation is placed into one of five categories based on student performance and improvement data from ISTEP+ and end of course assessments (IDOE, 2011). These five categories are; A – Exmplary Progress, B – Commendable Progress, C – Academic Progress, D – Academic Watch – Priority, and F – Academic Probation – High Priority (IDOE, 2011). Chart 19 shows the historical number of public school corporations in each category from 2005-2011.

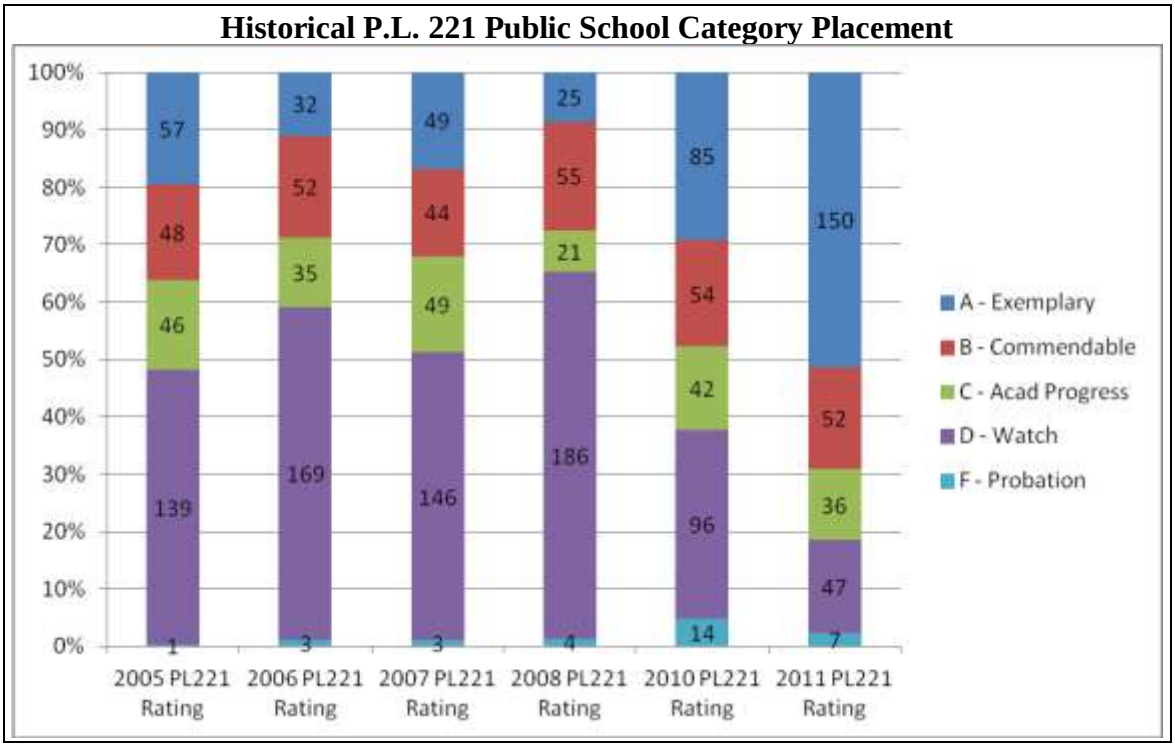

Chart 19

The data shows that significant gains have been made regarding the number of school corporations being placed in the top two categories of A – Exemplary and B – Commendable. From years 2005 – 2008, the number of public school corporations in the

top two categories range from a high of 105 in 2005, to a low of 80 in 2008. These numbers increase in 2010 and 2011 with 139 and 202 in the top two categories, respectively.

The P.L. 221 category placement data were used to compare the number of transfer students in school corporations in the top two categories with the number of transfer students in school corporation in the bottom two categories. As Chart 20 indicates, there are more than four times the number of transfer students in school corporations placed in the top two P.L. 221 categories compared with the lowest two P.L. 221 categories. In 2011, there are 7,848.5 transfer students in school corporations in the top two P.L. 221 categories, with only 1,692.5 transfer students in school corporations in the bottom two categories.

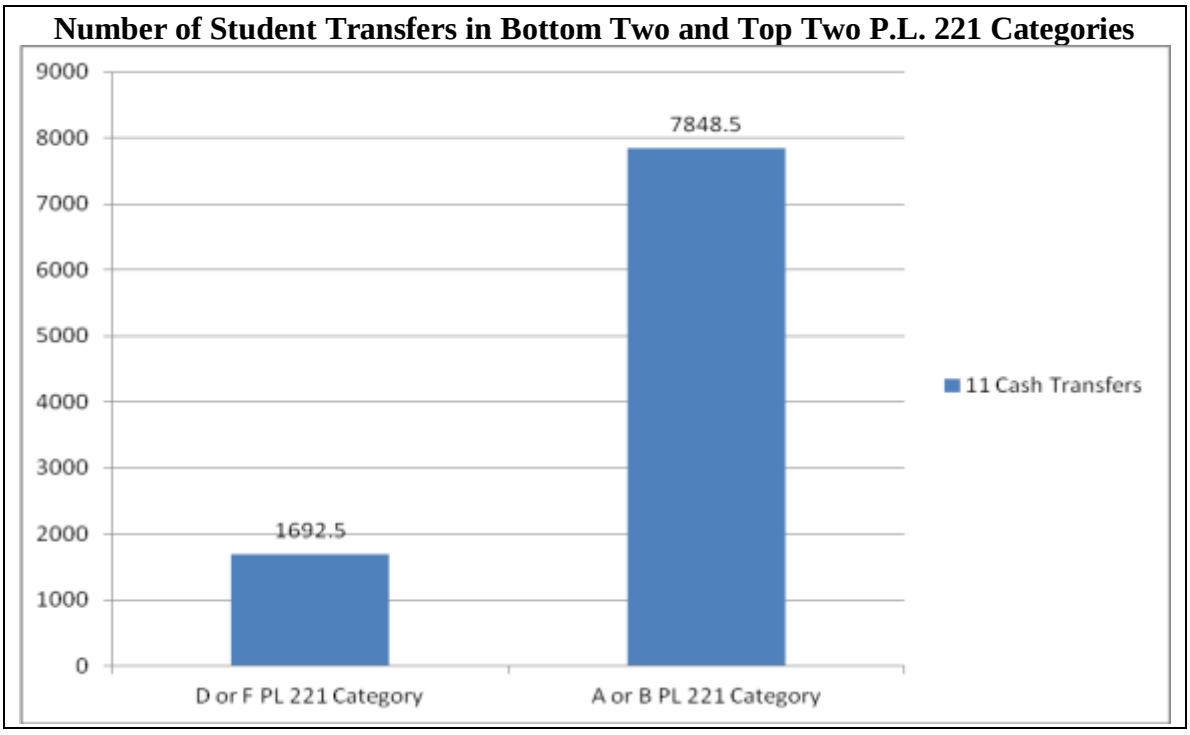

Chart 20

Summary

Significant data were analyzed, including several types of demographic data in order to show any correlations that existed with transfer students. Of all of these various demographic data, only total ADM proves to have any sort of significant correlation with student transfers.

The various data analyzed indicates that smaller school corporations are being impacted more by student transfers than larger school corporations. This is supported through the following data.

1. There is a consistent small negative correlation between percentage of student transfers and the total ADM from 2006-2011, strengthening in 2009 when the elimination of the general fund property tax became effective.
2. A t-test comparing the average 2009 ADM between the schools corporations that allowed student transfers and those that did not, shows that the averge ADM of those that did not was over twice the size of those that did.

Chapter 5

Conclusion

The purpose of this study was to determine how student inter-district transfer policies have changed, as a result of the state assuming all general fund revenue support. The study examined several demographic and financial data to determine if correlations existed between these data and the percentage of cash transfer students.

Once the purpose of the study and the problem was decided, a review of literature was conducted. Since this problem was unique, there was not research to be reviewed for the review of literature. Instead, a review of the history of public education funding was conducted, ending with the specific atmosphere that caused the Indiana General Assembly to enact legislation to end the general fund property tax.

Two sets of data were collected and analyzed. The first set of data was collected using a survey instrument mailed to each Indiana public school superintendent. The data were collected in order to ascertain the how many school corporation student transfer policies changed as a result of the elimination of the general fund property tax. It was also collected in order to collect superintendents' opinions whether the change was positive or negative.

The second set of data analyzed was collected from the Indiana Department of Education (DLGF). This data set included demographic and financial information from each of the 292 public school corporations in Indiana. In addition to demographic and

financial information, historical enrollment information was collected including the number of student transfers.

Due to the amount of data that were received, several financial and enrollment trends were illustrated through various tables and graphs. The data were correlated with the percentage of student cash transfers. Also, a t-test comparison of means was conducted.

Chapter 1 contained the statement of the problem and the purpose of the study. Chapter 2 contained a review of literature including recent legislative changes that have occurred. Chapter 3 contained the research methodology, design, and survey instrument. Chapter 4 contained the analysis of both sets of data – the results of the survey instrument, and the various demographic and financial data made available by the Indiana Department of Education.

Findings

When the elimination of the general fund property tax went into effect on January 1, 2009, it was the beginning of a year where Indiana public school corporations saw the lowest expenditures in several years. The average general fund expenditure for 2009 is $20.9M, which is the lowest average general fund expenditure since 2006. It also represents a 4% reduction from the $21.8M for 2008. Also, at the beginning of 2009, the general fund cash balances are at historically low levels. The total general fund cash balance at the beginning of 2009, for all public school corporations, is $583.9B. This is a $138.3B reduction from the 2007 high of $720.2B. This represents a 19% drop in just two years.

At the same time, Indiana experiences an upward trend in enrollment. In the four years preceding the elimination of the general fund property tax, the total enrollment of all Indiana public school corporations is on the rise. From 2005-2008, the total enrollment increases each year. In 2005, the total enrollment is 976,297. This peaks in 2008 at 989,227. Since the elimination of the general fund property tax, the total enrollment drops each year to a current 2011 level of 975,324.

The average general fund cash balance percentage of expenditure drops from 11.1% at the beginning of the 2006 fiscal year, to 9.5% at the beginning of the 2009 fiscal year, which is below the ISBA recommendation of 10%. This is in spite of the fact that general fund expenditures per ADM decreases by 4.0% in 2009. The fact that general fund cash balance still decreases indicates that general fund revenue decreases more than the 4.0% decrease in expenditures. The level of cash balance percentage returns to 10% or above for the 2010 and 2011 fiscal year.

The number of student cash transfers doubles or nearly doubles each year after the elimination of the general fund property tax. In 2009, when the elimination first went into effect, there are a total of 2,990 student cash transfers statewide. The total doubles in 2010 to 6,449. The total number of student cash transfers nearly doubles again in 2011 to 11,313.

There is no correlation between the number of student cash transfers all financial data and most school corporation demographics. The only correlation found is regarding the number of student cash transfers and ADM. There is a small negative correlation

between the student cash transfers percentage and total ADM. This indicates that smaller corporations are more likely to have a higher student cash transfer percentage of ADM.

There is only a slight difference in the number of school corporations allowing student cash transfers prior to the elimination of general fund property tax as compared to after the elimination of general fund property tax. Prior to the elimination of general fund property tax, 120 school corporations allow student cash transfers, as opposed to 128 school corporations allowing student cash transfers after the elimination general fund property tax. This is a small increase of 8 school corporations. A total of 14 school corporations change the student cash transfer policy after the elimination of the general fund property tax. Of the school corporations that do not allow student cash transfers, 11 of them decide to allow student cash transfers after the elimination of the general fund property tax. Of the school corporations that do allow student cash transfers, 3 of them decide not to allow student cash transfers after the elimination of the general fund property tax. This equates to a net increase of 8 school corporations allowing student cash transfers after the elimination of the general fund property tax.

The average ADM of the 20 school corporations not allowing student cash transfers after the elimination of the general fund property tax is 6,116, while the ADM of the 165 school corporations allowing student cash transfers after the elimination of the general fund property tax is 2,483.

Most superintendents respond that the elimination of the general fund property tax has a negative effect. Of the 186 returned surveys, 118 indicate the effect was negative, while only 58 indicate that it was positive. The average ADM of the school corporations

in which the superintendent indicates the elimination of the general fund is negative is nearly twice the size of those that indicate it is positive.

More school corporations are beginning to advertise for student cash transfers. The percentage of school corporations advertising for student cash transfers increased from 12.4% in 2010 to 17.4% in 2011.

Recommendations

The following is recommended:

1. Any Indiana public school corporation currently not allowing student cash transfers per board policy should change the policy to begin allowing such transfers. Any school corporation not allowing student cash transfers is allowing students to leave with no means of gaining any student cash transfers. This will only lead to a decrease in student enrollment.

2. The Indiana Association of Public School Superintendents (IAPSS) should adopt guidelines for ethical behavior regarding student cash transfers for member superintendents to follow, specifically as it pertains to advertising. As more school corporations begin to advertise for student cash transfers, guidelines for ethical behavior will be beneficial. Since most transfers consist of a student transferring between neighboring school corporations, ethical behavior is essential. Many neighboring school corporations are in common consortiums such as special education, career centers, study councils, etc. Ethical behavior is crucial in order to maintain the professional and collegial relationships that must occur between superintendents. The IAPSS did pass a transfer tuition position in 2008. In part, it states:

> BE IT RESOLVED that all Administrators shall ethically and equally apply the direction provided by the Indiana General Assembly to all students requesting transfer among districts.
>
> BE IT FURTHER RESOLVED that all Superintendents or the designee, whether the sending or receiving Superintendent in the transfer request, will communicate with their fellow Superintendent involved in the transfer to discuss any issues related to formal expulsion or other disciplinary proceedings which may legally be communicated…
>
> BE IT FURTHER RESOLVED that, upon receiving a request for student information, Superintendents or the designee shall give an honest response concerning the impact of a transfer (IAPSS, 2008).

This position statement does not tackle some of the serious ethical issues allowing transfer students causes, such as advertising, or allowing transfer students from a school corporation that is struggling financially.

3. Small school corporations, particularly those with an ADM of less than 1,000 students, should begin partnering with other small school corporations to coordinate administrative service and instructional services. There is a renewed focus on school consolidation in an effort to reduce cost. Conflicting reports are published in 2007 and 2010 by the Center for Evaluation and Education Policy (CEEP). The 2007 report states that small, rural school corporations could benefit financially from consolidation due to economies of scale. However, a study published in 2010 indicated that there is no data to support that consolidation would save money. The CEEP recommends that consolidation be considered on a case-by-case basis. Small school corporations should be proactive and begin investigating coordination of administrative and instructional services instead of competing for students. Administrative services should include various central office positions such as transportation supervision,

building and grounds supervision, and even consideration of superintendent contracted services. Also, neighboring small schools corporations should begin the process of coordinating instructional services such as foreign languages, STEM initiatives, and career programming. This could be accomplished by transporting students between school corporations, or in a virtual manner through 2-way video conferencing.

4. Indiana public school corporation superintendents and boards of education should begin working towards a better understanding of how to compete in a school-choice atmosphere. Indiana public school superintendents are facing the reality of school choice on two additional fronts. The first front is charter school legislation, and the second is the newly passed HB 2003, which allows students to use public funding as a voucher to attend a private school.

Implications for Further Research

A five-year follow up study, obtaining available Indiana public school corporation financial data, should be conducted to investigate many issues.

First, the follow up study should include an analysis of general fund cash balance trends. From 2006 to 2009, the average cash balance fell from 11.1% to 9.5%.

Second, the follow up study should analyze the trends regarding percentage of Indiana public school corporations allowing student cash transfers, as well as trends regarding the percentage of Indiana public school corporations advertising for student cash transfers. The percentage of student cash transfers more than doubles in 2010, from 0.58% to 1.27%, and nearly doubles again in 2011 to 2.28%. The follow up study should determine if this trend continues, accelerates, or decelerates in the coming years.

The follow up study should also be used to analyze the effect of pro school choice legislation, such as private school vouchers and the expansion of charter schools on current Indiana public school corporation student cash transfer policies, as well as advertising for student cash transfers. Specifically, this study should investigate cash transfer enrollment trends, charter school enrollment trends, and private school voucher enrollment trends. Since collecting this data in December of 2010, Indiana Governor Daniels signed HB 1002 into law. This bill creates a state charter board designed to open more charter schools, and creates a voucher system that allows parents to redirect tax money from their local school corporation to pay for private school tuition (Elliot, 2011).

Summary

This research is unique. As mentioned in the review of literature, an intense search for scholarly articles on the subject yielded no results. Several combinations of searches were employed, all with the same result. This research cannot be compared or contrasted with other research on the same topic. It does, however, support the implication for further research.

The research was conducted and the data were received for this study in November and December of 2010. Since Indiana public school corporations currently operate on a January – December fiscal year, the most current data available is fiscal year (FY) 2011. FY 2009 is the first year with no transfer tuition. Since the data received is from the first three years with no transfer tuition, the need further research is strongly supported. Not only are there unanswered questions regarding future trends regarding

student cash transfers, a follow up study is needed to compare and contrast with the findings.

In order to maintain a narrow focus for the research, only the effects of the elimination of general fund property tax on student transfers is studied. However, the results are clear; the elimination of general fund property tax became another vehicle for school choice. This reality cannot be ignored.

McCollum (2008) reports the following regarding State Senator Luke Kenley, senate sponsor of 2008 HEA 1001:

> Sen. Luke Kenley, R-Noblesville, who sponsored the House Enrolled Act 1001 in the Senate and always has been a strong proponent of school choice, said "the loophole was not intentional." Kenley said he's a strong supporter of school choice, and making schools as open as possible without creating problems for the receiving district. The legislator said he has introduced school choice bills repeatedly over the last 10 years without success. But he also said he would not try to get the measure passed on the sly without giving everyone an opportunity to comment on it. Now that the issue is on the table, though, Kenley said he's going to take advantage of that in the next legislative session by introducing another public school choice bill, giving all interested parties an opportunity to comment. “The more important concept is parents have a choice, and then they have a greater commitment to that whole exercise because they've made a choice,” Kenley said. “It would be so good for the public schools and the parents and the kids. It's the right thing to do.”

Indiana public school superintendents are facing the reality of school choice on three fronts. The first front is charter school legislation, the second front is the elimination of general fund property tax, allowing students to transfer to any Indiana public school with virtually no transfer tuition, and the third front is the newly passed HB 2003 which allows students to use public funding as a voucher to attend a private school.

Legislation was first passed in 2001, allowing public universities offering 4-year degrees, public school boards, and the Mayor of Indianapolis, to authorize and sponsor charter schools (CEEP, 2005). According to the Indiana Public Charter Schools Association website, this has grown to now include 62 charter schools with nearly 23,000 students enrolled.

HB 1002 also allowed for the expansion of charter schools, a state-wide charter school board, as well as other financial accommodations for charter schools, such as the shifting of transportation funds from a student's school corporation of legal residence, to the charter school in which he/she enrolls. All of this was praised by the Indiana State Superintendent, Tony Bennett, as "increased opportunities for all students by removing some of the obstacles to innovative, effective schools" (IDOE, 2011).

A recent study shows that 98% of Indiana charter schools showed student achievement growth in reading at similar or better rates than traditional public schools and 100% showed student achievement growth in math at similar or better rates than traditional public schools (CREDO, 2011). Both are very compelling reasons for parents to choose a charter school over a traditional public school.

The other school choice front facing Indiana public school superintendents is a new private school voucher program. Newly passed legislation has greatly expanded private school vouchers in Indiana, regarded as the nation's broadest school voucher program (Coyne, 2011). Most other state voucher programs have limitations such as students in failing schools, students with special needs, as well as only being available to students of poverty. In Indiana, there are no limitations regarding schools, and the

income limit is extended up to $60,000 a year (Martin, 2011). A lawsuit has been filed by the Indiana State Teachers' Association (ISTA) questioning the constitutionality of the school voucher program. In the meantime, a judge has refused to issue an injunction, allowing the school voucher program to continue while the lawsuit is heard (Martin, 2011).

With a combination of expanded charter schools, private school vouchers, and the ability for parents to transfer to another traditional public school without tuition, school choice is competing with traditional public schools. In fact, parents have of a *choice* of which *school-choice* program to take advantage. With the current climate, parents can choose to attend another traditional public school, a charter school, or a private school, all without paying tuition.

All of this points to a siphoning of money away from traditional public school corporations. At some point it is likely that an adequacy lawsuit will be filed and heard. However, the most recent Indiana Supreme Court decision indicates it is unlikely to be successful. On June 2, 2009, the Indiana Supreme Court ruled on the most recent public school funding case, Bonner vs. Daniels.

The Indiana Supreme Court (Bonner, 2009) ruled that, "Although recognizing the Indiana Constitution directs the General Assembly to establish a general and uniform system of public schools, we hold that it does not mandate any judicially enforceable standard of quality, and to the extent that an individual student has a right, entitlement, or privilege to pursue public education, this derives from the enactments of the General Assembly, not from the Indiana Constitution." In other words, an adequate public

education is not guaranteed by the Indiana State Constitution. Rather, the Indiana General Assembly is charged with enacting a uniform system of public schools. HB 1002 and HB 2003, passed during the 2011 Indiana General Assembly, show that a uniform system of public schools has been defined as public dollars being used to fund any education – private, public, or charter – that a parent chooses.

Indiana public school superintendents must begin quickly adapting to the new reality of school choice. In the words of Willard Daggett, CEO of the International Center of Leadership in Education, "it is time to control the era of school choice, or be controlled by it."

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TRANSFER TUITION STATEMENT

School Year 20____ - 20____

TO: _____ School Corporation _____ County
(Transferor Corporation)

FROM: _____ School Corporation _____ County
(Transferee Corporation)

Number of Days School was in Session for Pupil Attendance _____

	ADM	%		ADM	%
Kindergarten			Special Program #1		
Elementary			Special Program #2		
Middle/Jr. High			Special Program #3		
Senior High School			Special Program #4		

GENERAL FUND OPERATING COSTS ACCORDING CLASSIFIED BUDGET ACCOUNTS

Class of School

1. INSTRUCTION - REGULAR AND SPECIAL PROGRAMS Accounts 11000 and/or 12000, and 16100 and/or 16200 - General Fund Only	$	
2. SUPPORT SERVICES - ADMINISTRATION Accounts 21800, 23120, 23160, 23190, 23200, and 24000 - General Fund Only		
3. SUPPORT SERVICES - ATTENDANCE, HEALTH, AND GUIDANCE Accounts 21100 through 21700 - General Fund Only		
4. SUPPORT SERVICES - OPERATION AND MAINTENANCE Accounts 26000 - General Fund Only		
5. SUPPORT SERVICES - CENTRAL Accounts 25000 (Excluding 25191-25195 and 25910-25950) - General Fund Only		
6. SUPPORT SERVICES - OTHER Accounts 22000, 30000 - General Fund Only		
7. INSTRUCTION - PAYMENTS TO OTHER GOVERNMENTAL UNITS WITHIN STATE Accounts 17000 (excluding 17800) above paid from General Fund through other agencies for appropriate class of school		
8. TOTAL OPERATING COSTS Lines 1 through 7 - General Fund Only	$	

TRANSPORTATION

NOTE: Transportation expenses can be included in the Transfer Tuition Statement ONLY in instances where the transferred students are furnished transportation by the school corporation to which they are transferred and there is a written transportation agreement between the transferor and transferee corporations.

Costs of Transportation Fund - Accounts 27000 (except 27400) $ _____

Total Number of Pupils Transported _____

Cost per Pupil Transported $ _____

AMOUNT DUE FOR TRANSPORTATION

Cost per pupil (above) divided by number of days school was in session equals cost per pupil per day: $ / $ = $ _____

Cost per pupil per day multiplied by total days transported equals cost of transporting pupils named in this statement:

$ _____ X $ _____ = $ _____

Appendix A

STATEMENT OF ENROLLMENT, TRANSPORTATION AND ATTENDANCE

Name of Pupil Transferred	Date of Birth	Grade	Date First Enrolled	Date Last Enrolled	# Days Enrolled	Included In ADM Count	Days Provided Transportation	Spec. Ed. Student Count by Category (See Below)	Voc. Ed Additional Pupil Count
TOTALS	XXX	XXX	XXXXX	XXXXX		XXXXX		XXXXX	

SAMPLE

SPECIAL EDUCATION CATEGORIES

. Severe Disabilities B. Mild and Moderate Disabilities C. Communication Disorders (duplicated count) D. Homebound Program
(NOTE: Types A and B are unduplicated counts)
Page 2 of 4

Appendix A

Class of School

A. Total pupil days enrolled divided by the number of days school was in session for pupil attendance equals full time pupil equivalent.

_____ / _____ = _____

B. Total Operating Costs (from line 8, page 1) divided by Pupil Enrollment equals Per Capita Cost.

$ _____ / _____ = $ _____

C. Per Capita Cost (Section B) times full time pupil equivalent (Section A) equals Gross Amount due for Operating.

$ _____ X _____ = $ _____ $ _____

D. LESS the following state or local distributions that are computed in any part using ADM or other pupil count in which the student(s) is included: (Refer to the instructions in the Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations)

Prime time grant under IC 20-43-9 (Grades K-3)	$ _____
Tuition Support for basic programs	_____
Academic Honors Diploma Award under IC 20-43-10-2	_____
Vocational Education Grant under IC 20-43-8	_____
Special Education Grant under IC 20-43-7	_____
The following do not apply to transfers under IC 20-26-11-6 (Cash Transfers): Financial Institutions Tax (FIT) (IC 20-43-3-2)	_____
Excise Tax Revenues (IC 20-43-1-12): Motor Vehicle Excise Tax (IC 6-6-5); Boat Excise Tax (IC 6-6-6.5) Aircraft License Excise Tax (IC 6-6-6.5)	_____
Commercial Vehicle Excise Taxes (IC 6-6-5.5)	_____
(NOTE: FIT & Excise Tax are amounts received in Calendar Year in which school year begins) Property Tax	_____
County Adjusted Gross Income Tax (CAGIT)	_____ $ _____

Be aware only the monthly Basic Grant State distributions will be received starting January 1, 2009.

E. Net Amount Due for Operating (Section C Minus Section D) $ _____

Net Amount Due for Transfer Tuition - Operating (E)	$ _____
Net Amount Due for Transfer Tuition - Special Equipment (G page 4)	$ _____
Net Amount Due for Transportation (from Bottom page 1)	$ _____
TOTAL net amount due for Transfer Tuition and Transportation	$ _____

Less Quarterly Payments:

	Date	Estimated Amount
First Quarter	_____	$ _____
Second Quarter	_____	_____
Third Quarter	_____	_____
Total Quarterly Payments		$ _____
Balance Due		$ _____

Appendix A

I, _____, Treasurer of _____ School Corporation, _____ County, Indiana, hereby certify that the cost of this corporation's special equipment is as follows:

A Description	B Original Cost	C Year Pur.	D Est. Life	E Annual Allocated Cost	F Number of Students	G Special Equip. Cost for Student Named on Pg 2
	$			$		$
Total Special Equipment Costs						$

I further certify that the within named students were lawfully transferred to the above named corporation; that the transfers were issued by the proper legal officers of: _____ (transferring corporation) _____ County, Indiana; or, in the instance of a cash transfer; authorized by _____, residing at _____ address, as the parent or other person responsible for such transfer tuition; or in the instance of lawfully placed students under IC 20-26-11 that the transfers were issued by the proper legal officer of _____ County.

Also that the foregoing statement of transfers, attendance, cost of education, cost of transportation, amount due for tuition, amount due for transportation of children who by law were furnished transportation by this school corporation is true and correct, as I verily believe.

Date: _____, 20___ (Signed) _____
Treasurer

Appendix A

Survey Cover Letter to Participants

November 1, 2010

Superintendent Name
School Corporation
Street Address
City, State Zip Code

Dear Superintendent,

The recent changes in general fund revenue that took effect on January 1, 2009, has created confusion and questions for many school boards, superintendents, and parents. A memo from Jeff Zaring dated September 12, 2008 states "Due to a change in the way the School Corporation General Fund is supported, the amount of transfer tuition paid by parents under Indiana Code 20-26-11-6 is expected to change beginning January 1, 2009. Nothing else has changed." In fact, much has changed. Superintendents and school boards have struggled to decide how the change in general fund revenue should affect student transfer policies.

As a former Indiana superintendent, I understand the problems that this change has caused. As part of my doctorate dissertation, I have decided to conduct a survey of all school corporations in Indiana to get more detailed information regarding the student transfer policy in effect. Once all the data is collected, I will correlate those school corporations that do or do not allow transfer students against other data such as enrollment trends, percent of free and reduced lunch, suburban or rural, and other demographics.

The ultimate purpose of the research is to determine conclusions and recommendations for superintendents and school boards when drafting student transfer policies in response to the general fund revenue changes.

All data will be maintained as confidential and no identifying information such as school district or individual name will appear in any publication of presentation of the data. In order to track school corporation data, survey instruments will initially be identified by the corporation ID. However, these identifiers will be removed as soon as surveys are returned and coded with an ID. This coded ID will be used for all data analysis. The code list will be stored separately, and only the principal investigator will have access to the code list. For more information, please refer to the enclosed Informed Consent document.

Survey Cover Letter Page 2

Your participation in the survey is critical. I would appreciate you prompt response. Please find the enclosed survey and the self-addressed stamped envelope. If you choose to participate in the study, please return both the completed survey and the signed informed consent document. Thank you in advance for your willingness to participate in this study.

Sincerely,

Andrew Jackson
Graduate Student
Ball State University
asjackson@bsu.edu

Encl: Survey
Informed Consent Document

Survey

Please complete and return the survey in the enclosed self-addressed stamped envelope. Your participation in this survey is critical and appreciated. Thank you in advance for your willingness to participate in this study.

1. Did your school corporation allow transfer students prior to the elimination of the general fund property tax?

   ___ Yes ___ No

2. Does your school corporation allow transfer students after the elimination of the general fund property tax?

   ___ Yes ___ No

3. Did your school corporation have a board policy regarding transfer students prior to the elimination of the general fund property tax?

   ___ Yes ___ No

4. Does your school corporation have a board policy regarding transfer students as a result of the elimination of the general fund property tax?

   ___ Yes ___ No

5. How many transfer students were enrolled in your school corporation during the 2008-2009 school year?

   _____

6. How many transfer students were enrolled in your school corporation during the current 2010-2011 school year?

   _____

7. In your opinion, has the elimination of the general fund property tax had a positive or negative effect on your school corporation?

   ___ Positive ___ Negative

8. Has your school corporation been involved in any advertisement or recruitment of transfer students?

   ___ Yes ___ No

Appendix C

Informed Consent

Study Title Effects of the Elimination of Indiana General Fund Property Tax and Other Local Sources of Revenue on Student Transfer Policies

Study Purpose and Rationale

The purpose of this study is to determine how inter-district student transfer policies have changed, as well as practice and procedures regarding transfer students, as a result of the state assuming all general fund revenue support.

This study is necessary due to the recent changes in Indiana public school funding having caused a need for public school districts to have consistent student transfer policies. The need stems from the state no longer allowing local revenue for the general fund of public school districts. As a result, public school districts have no vehicle for charging tuition for transfer student

Inclusion/Exclusion Criteria

Any current Indiana public school superintendent qualifies to participate in the study.

Participation Procedures and Duration

For this project, Indiana public school superintendents will be asked to complete a short survey. It should take approximately 10 minutes to complete

Data Confidentiality

All data will be maintained as confidential and no identifying information such as school district or individual name will appear in any publication of presentation of the data. In order to track school corporation data, survey instruments will initially be identified by the IDOE ID. However, these identifiers will be removed as soon as surveys are returned and coded with an ID. This coded ID will be used for all data analysis. The code list will be stored separately, and only the principal investigator will have access to the code list.

Storage of Data

The principal investigator will review and entered the data into an Excel spreadsheet. The spreadsheet will be password protected. After coding, the principal investigator will store the returned survey instruments in a locked filing cabinet in his residence for a period of three (3) years. Only the principal investigator will have access to the data. After three (3) years, the survey instruments will be shredded.

Risks or Discomforts

There are no risks associated with participating in this study. If any participant feels any discomfort in answers the survey questions, he/she should choose to answer the question, or choose not to participate in the study.

Benefits

There is no direct benefit to the participants. However, the data collected, as well as the analysis will be a significant contribution to the field of educational leadership, particularly to superintendents and school boards in Indiana.

Voluntary Participation
Participation in this study is completely voluntary and participants are free to withdraw their permission at any time, and for any reason, without penalty or prejudice from the investigators. Participants are free to ask any questions of the investigator at any time.

IRB Contact Information
For questions about your rights as a research subject, please contact Director, Office of Research Compliance, Ball State University, Muncie, IN 47306, (765) 285-5070, irb@bsu.edu.

Study Title Effects of the Elimination of Indiana General Fund Property Tax and Other Local Sources of Revenue on Student Transfer Policies, Andrew Jackson, Principal Investigator

Consent

I, _____, agree to participate in this research project entitled, "Effects of the Elimination of Indiana General Fund Property Tax and Other Local Sources of Revenue on Student Transfer Policies." I have had the study explained to me and my questions have been answered to my satisfaction. I have read the description of this project and give my consent to participate. I understand that I will receive a copy of this informed consent form to keep for future reference.

To the best of my knowledge, I meet the inclusion/exclusion criteria for participation (described on the previous page) in this study.

_____ _____

Participant's Signature Date

Researcher Contact Information

Principal Investigator:

Andrew Jackson, Graduate Student
Educational Leadership
Ball State University
Muncie, IN 47306
Telephone: (812) 623-4618
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Faculty Supervisor:

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BALL STATE UNIVERSITY

Institutional Review Board

DATE:	October 21, 2010
TO:	Andrew Jackson, Ed.D.
FROM:	Ball State University IRB
RE:	IRB protocol # 193713-1
TITLE:	Effects of the Elimination of Indiana General Fund Property Tax and Other Local Sources of Revenue on Student Transfer Policies
SUBMISSION TYPE:	New Project
ACTION:	DETERMINATION OF EXEMPT STATUS
DECISION DATE:	October 21, 2010

The Institutional Review Board reviewed your protocol on October 21, 2010 and has determined the procedures you have proposed are appropriate for exemption under the federal regulations. As such, there will be no further review of your protocol, and you are cleared to proceed with the procedures outlined in your protocol. As an exempt study, there is no requirement for continuing review. Your protocol will remain on file with the IRB as a matter of record.

While your project does not require continuing review, it is the responsibility of the P.I. (and, if applicable, faculty supervisor) to inform the IRB if the procedures presented in this protocol are to be modified or if problems related to human research participants arise in connection with this project. **Any procedural modifications must be evaluated by the IRB before being implemented, as some modifications may change the review status of this project.** Please contact please contact Chris Mangelli at (765) 285-5070 or cmmangelli@bsu.edu if you are unsure whether your proposed modification requires review or have any questions. Proposed modifications should be addressed in writing and submitted electronically to the IRB (http://www.bsu.edu/irb) for review. Please reference the above IRB protocol number in any communication to the IRB regarding this project.

Reminder: Even though your study is exempt from the relevant federal regulations of the Common Rule (45 CFR 46, subpart A), you and your research team are not exempt from ethical research practices and should therefore employ all protections for your participants and their data which are appropriate to your project.

Appendix E